



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 21 January 2015

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ECONOMY, ENERGY AND TOURISM COMMITTEE

2nd Meeting 2015, 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:

Ewan Angus (BBC Scotland)

John Archer (Hopscotch Films and Independent Producers Scotland)

Alan Clements (STV)

Arabella Page Croft (Black Camel Pictures)

Ken Hay (Centre for the Moving Image)

Bob Last

Ian MacKenzie (Channel 4)

Drew McFarlane (Equity)

Jane Muirhead (Producers Alliance for Cinema and Television)

Iain Smith (British Film Commission)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 21 January 2015

[The Convener opened the meeting in private at 09:16]

09:32

Meeting continued in public.

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning and welcome to the second meeting in 2015 of the Economy, Energy and Tourism Committee. I welcome members, our witnesses—whom I will come to in a moment—and our visitors in the gallery. I remind everyone to turn off, or at least to turn to silent, all mobile phones and other electrical devices so that they do not interfere with the sound equipment. We have received no apologies, so we should have a full house of members.

Agenda item 2 is to ask members whether they are content to take in private item 4, which will be a review of the evidence that we will hear. Do members agree to do so?

Members indicated agreement.

Creative Industries (Economic Impact)

09:33

The Convener: Item 3 is continuation of our inquiry into the economic impact of the creative industries. We will hear from two panels this morning. The first panel comprises Alan Clements, who is the director of content at STV; Ian MacKenzie, who is the development manager at Channel 4; Jane Muirhead, who is the national director for Scotland for the Producers Alliance for Cinema and Television, or PACT, which is the trade body for the independent film, television and digital media industry; Drew McFarlane, who is the national organiser for Scotland and Northern Ireland for Equity; and Ewan Angus, who is the head of commissioning for BBC Scotland. Welcome to you all.

We have 90 minutes or so for the panel, and we have a broad range of topics to cover. I ask committee members to keep their questions short and to the point. Because there are five panel members and you will all want to have your say, it would be helpful if you could keep your responses as short as possible. When members ask questions, I ask them to address them initially to a particular panel member and then, if other panel members wish to answer a question that has been directed to someone else, they should just catch my eye and I will bring them in as best I can and as time allows. If members want to ask supplementaries, they can do the same.

We have a couple of photographers here who will be going around snapping. I hope that that is fine with everybody and does not cause any distraction.

I will start by asking about a point that has featured in several of the written submissions that the committee has received. There have been a great many submissions, which shows the level of interest in the committee's inquiry. The issue is the relationship between the industry and the public bodies Creative Scotland and Scottish Enterprise. Some of the submissions contain quite a lot of commentary on that—I will quote from just one or two.

TRC Media talks about the

“absence of a single leadership role in public support for the sector”.

Tiernan Kelly of Film City Glasgow says that

“the relationship between Creative Scotland and Scottish Enterprise needs immediate attention. Metaphorically, it is a failing marriage”.

David Griffith, an independent feature film producer, says that

“Scottish Enterprise and Creative Scotland have not worked well together”,

and Cameron Fraser of Ko Lik Films talks about

“systemic neglect and a complete absence of vision from public funders”,

such as Creative Scotland and Scottish Enterprise.

I put this question to Alan Clements from STV, because I noticed that STV’s submission refers to the

“lack of clarity at the heart of government policy”.

What is the problem here? Why is the system not working and why is so much criticism being expressed in the comments that the committee has heard about Creative Scotland and Scottish Enterprise?

Alan Clements (STV): I am delighted to address that point. As director of content at STV and previously the owner of an independent production company, I think that there has for a long time been a lack of focus and leadership in the area. That is because, fundamentally, Creative Scotland takes a cultural approach, which is important in its own right but does not address the economic drivers, in particular those of the television industry. To spare Scottish Enterprise’s blushes, it has had a focus on other, perhaps more tangible, areas where it feels that it is not stepping on Creative Scotland’s toes. The fact that there are two quangos involved means that the Cabinet Secretary for Culture, Europe and External Affairs probably feels slightly inhibited in taking direct action.

To be blunt, the result of that lack of focus and leadership is that Scotland—in particular Glasgow, which seven, eight or nine years ago was perhaps in a position to be the second centre of production in the United Kingdom—has now probably fallen to fourth behind the Salford-Manchester conurbation and the area around the Severn, in which Bristol and Cardiff are one travel-to-work area for the creative industries. We have fallen to fourth. Given the absolute stated determination of Belfast and Northern Ireland Screen to become the second centre of production in the UK, there is a danger that we might slip to fifth. That is a very poor performance and a strong indictment of public policy.

The Convener: I am keen to get the thoughts of other panel members on that, just to start us off. I think that Ian MacKenzie was nodding through some of that.

Ian MacKenzie (Channel 4): Channel 4’s relationship with Creative Scotland has, at least in recent years, had some positive and tangible outcomes, in as much as we entered into a memorandum of understanding with Creative

Scotland on the development of formatted factual programmes. That is to do with series development—things that can return and bring sustainable business. I will perhaps come to an example of that later, as it may relate better to a later question. With the alpha fund, which is focused primarily on new and emergent companies and talent, we had a co-investment arrangement with Creative Scotland for a period. That has come to an end.

To echo some of Alan Clements’s thoughts, we seek greater clarity on where television fits for Creative Scotland, and whether it fits.

Channel 4 is looking for a more sustainable and more vibrant independent production sector in Scotland. We need to understand whether partnerships with Creative Scotland can continue, or whether we should be looking for partnerships with Scottish Enterprise, which we have not, up until this point—certainly while I have been in my role in the creative diversity team at Channel 4—entered into.

Jane Muirhead (Producers Alliance for Cinema and Television): Before I start, I point out that I am also managing director of an independent production company in Glasgow.

The independent television sector in Scotland feels that we fall between Creative Scotland and Scottish Enterprise and that no one takes ownership of our sector. I also chair the TV working group in Glasgow, which feels that there is a lack of understanding of how our industry works, in terms of current levels of expertise at Creative Scotland and Scottish Enterprise. In the case of Creative Scotland, most of the funding that is available is lottery funding, which is not really fit for purpose for the TV production sector—it is perhaps more focused towards film.

We would welcome more clarity on where we sit and a greater understanding of all the products that Scottish Enterprise has on offer; I believe that there are more than 50. For any of the TV production companies to access any of those products, we have to spin what we want, which sometimes feels quite dishonest. We would like to be able to access more easily the services that are on offer.

Drew McFarlane (Equity): I would like to mirror what everybody, especially Alan Clements, has said. I am fortunate enough in my job to look after two national areas: Scotland and Northern Ireland. I think that Alan was trying to be helpful to Scotland by putting it in fourth place, because I do not think that it is. I think that Northern Ireland has been stealing a march on Scotland for some time now. What we do not have in Scotland but we do have in Northern Ireland—in the form of Northern Ireland Screen—is one lead body that is fairly

aggressive and is out there trying to work on behalf of the film and television production industry.

A lot of people outside Northern Ireland would see Northern Ireland Screen as a Mickey Mouse operation because it does not have a huge budget, yet it seems to be a great driver. We have lost that in Scotland with the loss of Scottish Screen and its metamorphosis into Creative Scotland. There were hopes about an integrated structure developing, but that has not really happened and Northern Ireland has taken the lead that Scotland should have taken. The jewel in the crown in Northern Ireland is “Game of Thrones”. “Game of Thrones” was looking to come to Scotland, but it did not because, first, we did not have a body pushing hard enough—we have two public quangos. I am not going to pour any more salt on their wounds, but neither seems to take a lead from the other. Secondly, the “Game of Thrones” producers looked for infrastructure, but that is sadly lacking. Those elements exist in Northern Ireland. The public bodies have to answer for that.

Ewan Angus (BBC Scotland): I cannot comment on Scottish Enterprise, but the BBC has with Creative Scotland a very positive relationship that spans a range of activities. We have had a memorandum of understanding with Creative Scotland since 2011. If I were to echo any of the criticisms, it would be around clarity and the criteria for individual investment, in particular in television projects.

The Convener: Thank you. Drew McFarlane’s point about Scottish Screen was interesting. I will go back to Alan Clements. Do you agree with him? Do we need to recreate Scottish Screen or to create something similar?

Alan Clements: Given the painful birth of Creative Scotland, I do not think that anybody would want to revisit that. We have partnered with Creative Scotland—most notably on “Fire in the Night”, which was the theatre-released documentary about the Piper Alpha disaster—so this is not a criticism of any of the people in that organisation, per se: I want to be really clear about that.

It is a question of focus. Creative Scotland has a cultural focus and, in terms of the industry, it is about theatre release, and there is a focus on film. Creative Scotland does not look at the industrial aspects and their importance, particularly in relation to TV production. When we look at the areas that have succeeded, it has not been only about private investment; the public agencies in Cardiff and in Salford and the BBC itself have made major investments in those areas.

This is about clarity and focus. It is not about money; it is about knowing where we want to go and being determined to go there.

09:45

Lewis Macdonald (North East Scotland)

(Lab): I want to follow up on those points. Alan Clements said that there is no point in revisiting Scottish Screen’s abolition, but we need to think about what model will work and what the failings are. Tern Television says that Creative Scotland might work better for film than for TV, but because Tern Television is an independent television producer, it needs to talk to Scottish Enterprise. Based on its experience, Tern is concerned that Scottish Enterprise measures a creative industry—which has its own unique characteristics—using the criteria that it uses to measure other things, such as head count and so on, and it has had difficulty in finding flexible augmenting support for second-stage research and development. PACT made some comments on that, as well. Does that reflect a view in television that the bit of Creative Scotland that deals with all this does film a bit better and does not do television well at all? Does Scottish Enterprise sufficiently take into account the particular characteristics of the TV sector?

Jane Muirhead: Tern’s submission reflects pretty broadly what the independent television sector in Scotland believes. I stress that Scottish Enterprise wants to get this right, but, as Alan Clements said, the issue is clarity and focus. The range of products that Scottish Enterprise has on offer are not fit for purpose for our industry. A lot of work could be done to make its products more fit for purpose.

It is very difficult to compare a TV production company with a life sciences company, for example; the ways in which they function are very different. Development and intellectual property are the life-blood of our industry: focus on development and winning commissions brings revenue, which builds infrastructure and creates employment.

Lewis Macdonald: Do any other witnesses want to comment on Scottish Enterprise, in particular?

Ian MacKenzie: I do not want to comment on Scottish Enterprise, but I will make a point about something that surprised me, and which it might be worth Creative Scotland’s taking into consideration. When I met Creative Scotland to discuss what comes next, I was surprised to learn that television is captured under the catch-all of “film and media”, given how valuable to Scotland and how successful the independent television production sector is—although it could be more successful.

I take on board Drew McFarlane's points about the success of "Game of Thrones". However, if you look at Channel 4's nations production figures, you see that Scotland is by some distance the biggest contributor to Channel 4's content budget. If it wants to stay ahead of the curve, we would welcome ways for us to support established and new and emerging companies on a co-investment basis with the likes of Creative Scotland. However, when television is just captured next to lots of other bits, as opposed to being recognised as something that is key to the creative industries, that might be a problem.

Alan Clements: There is a great willingness in Scottish Enterprise to engage with the TV industry, but I agree with Jane Muirhead that its products are not fit for purpose. If someone is going to be given the lead role, giving them clarity would be incredibly helpful.

Lewis Macdonald: If clarity and focus require a lead agency, what should that agency be?

Alan Clements: That is a decision for the Scottish Government; it is not for us to say. However, someone needs to own it. That is the most important point that I would make this morning.

The Convener: Everybody is nodding, so I take it that you all agree with that.

Chic Brodie (South Scotland) (SNP): Good morning. I have a fairly nippy question. Does Scottish Enterprise have expertise in and an understanding of your industry?

The Convener: Who is your question for?

Chic Brodie: I thought that Alan Clements could answer it first and then anyone else who wants to could come in.

Alan Clements: There are people in the organisation with such expertise and understanding, but they are tentative about it because no one is quite sure. It is easy for Scottish Enterprise to do life sciences because that is its job; indeed, it is the only agency involved in that sector. However, in relation to the creative industries, we also have Creative Scotland. The issue is structural; it is not a weakness in personnel.

Chic Brodie: I ask the question because, in a previous session, James Withers of Scotland Food and Drink mentioned that Scottish Development International's people are life sciences experts on a Monday, energy experts on a Tuesday and so on. I just wonder whether we are missing opportunities.

We are doing another inquiry on exports and I know how successful you have been in that regard. Does Scottish Enterprise, which is one of

the agencies that should be helping to drive things, embrace the industry and have that level of understanding of it?

Alan Clements: I think that Scottish Enterprise would agree that it has some way to go to reach that level of expertise.

Drew McFarlane: Perhaps its focus has not homed in enough on the film and television production industry. Expertise can be gleaned and taken from elsewhere, but in terms of television production, Scottish Enterprise puts too much emphasis on what is happening with the broadcasters, although that is not really the issue.

Jane Muirhead: The reality for independent producers in Scotland is that the public service broadcasters are first and foremost our main customers. I think that they are still responsible for 85 per cent of commissions in the United Kingdom. Big opportunities are coming down the line. For example, Channel 4 has an increased commitment to commission from the nations, with a target of 9 per cent up to 2020. We have to be ready and able to take advantage of that opportunity, or Wales and Northern Ireland will steal a march on us.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I am trying to understand the situation. We have heard that Scotland has probably slipped down the league from second to fourth or fifth. However, at the same time, the BBC has told us that it has increased its spend in Scotland from 7.6 per cent in 2012 to 10.9 per cent in 2013. Jane Muirhead mentioned Channel 4, which, as we have just heard, will increase the share of the expenditure that it will roll out to the nations from 3.8 to 9 per cent. Where are the difficulties if a lot more of the network spend is going to be in Scotland?

Jane Muirhead: The biggest danger for the independent sector in Scotland is the broadcasters' lift-and-shift policy. For example, there is no doubt that the BBC has reached its quota, but although displacing production companies or asking them to come and produce programmes in Scotland is good for short-term employment, it frustrates the whole idea of building sustainable businesses, because the IP and the revenue remain outwith Scotland in the south. One of the biggest recent examples is Shed Productions and "Waterloo Road". Sadly, "Waterloo Road" has gone and Shed Productions has shut up shop in Scotland.

We must focus on indigenous production companies and how to get them more market ready so that we are ready to take advantage of the quotas.

Ewan Angus: We absolutely support indigenous Scottish companies. There is a bit of a

legend around the lift-and-shift policy that deserves to be challenged. Lift and shift was and is a short-term mechanism. It is not a perfect mechanism by any manner of means, but it has allowed us to accelerate investment. We were set targets for 2016, which we have exceeded. Therefore, when we are talking about 10.9 per cent investment of eligible network spend in 2013, that is way ahead of where we would be had we taken a more incremental approach.

There are some very good examples of where lift and shift has worked well for the sector in Scotland. For example, "Homes Under the Hammer" is made by Lion Television in Scotland. Over a period of time, that entire production migrated to Scotland. You need to consider the issue in the context of different skill sets being required to make different types of programmes. "Homes Under the Hammer" is a very high-volume, tightly formatted piece. When it moved, the production base in Scotland was not necessarily equipped to make it.

Over time, we have developed a position where companies in Scotland are supplying into the daytime market in a way that they did not do previously. Alan Clements's company, STV, has benefited from that, with "Antiques Road Trip". As a result, some commissioning power has come to Scotland in the shape of Jo Street, who works out of Glasgow but is now acting controller for BBC daytime.

It is not true to say that lift and shift has been an overwhelmingly negative thing—very far from it; there are some great positives to take from it. We now need to ensure that the companies that are based in Scotland are winning entirely new business and are drawing from the local population and talent base.

It is a good thing when people come from outside Scotland and share their skills, expertise and perspective. We cannot just celebrate our achievements when Scots go abroad or down south, whether it is Steven Moffat, the writer and producer of "Doctor Who", or the director Kevin Macdonald. We applaud people who go elsewhere and take their skills out into the world, but we must also be very welcoming to companies and individuals who want to come to Scotland, base themselves here and add to the overall purpose of what we are trying to do.

Gordon MacDonald: I was not intending to go on to the issue of lift and shift so quickly—I know that some of my colleagues were going to ask about that. I asked the question because in 2009, Scottish Enterprise set itself a target in its report "Growing the Television Broadcast and Production Sector in Scotland", which was to

"Increase the scale of independent production companies, increasing the number of independent production companies with a turnover of £10m ... in Scotland from 1 to 6 by 2013."

With the increased spend, why has Scottish Enterprise failed? Is it because of lift and shift? Does anybody know?

The Convener: Nobody knows.

Alan Clements: I think that there is perhaps a slight misunderstanding here. The Scottish sector has done well and has increased arithmetically—it has improved. However, proportionally, it has not done as well as other areas of the UK have done. As football fans know, league positions are about not just how your team is doing but how the other teams are doing. I do not think that there has been a failure in Scotland, but the sector here has not been as successful as it has been in other areas.

Jane Muirhead: We are not saying that lift and shift was a completely bad thing, but it is now time to move on and to see what we can do with the companies that are here, including the indigenous companies.

Dennis Robertson (Aberdeenshire West) (SNP): We will perhaps explore that a bit further.

The Convener: Dennis Robertson wanted to ask about lift and shift.

Dennis Robertson: As I say, we will probably explore it a wee bit further. My question is initially for Jane Muirhead. A number of the submissions seem to indicate that lift and shift is not a good thing because, in some respects, it does not permit the industry to grow towards stability. Do the independent broadcasters, producers and others agree with that? Is that perception correct, or is it somewhere in between?

Jane Muirhead: Lift and shift has been important in some ways, in that the skills base in Scotland has grown. However, the skills base is here now. A lot of companies are delivering for daytime. We do, and so do STV and many other companies.

If, however, we are talking about building a sustainable industry, we have to consider the companies that are here already.

Dennis Robertson: With regard to companies that are here already, is lift and shift a negative influence?

Jane Muirhead: If it were an on-going strategy, it would be.

10:00

Ian MacKenzie: Jane Muirhead mentioned Channel 4's commitment to increasing its spend in the nations by 2020. It is worth looking at that as a

target. One of the reasons for the target, which was agreed through our extensive conversations with the industry and the Office of Communications, concerns the sustainable approach. What Ewan Angus is saying about lift and shift being something that can benefit the industry in the short term is true. However, one of the issues is that the indigenous companies are the ones who will be here even if they are not being commissioned, because they have invested in their businesses and in their lives in this part of the world and, for them, the issue is a little bit more complex than simply saying, "Here is a business opportunity."

In its written submission, Channel 4 said that the way that we will get to that target on a stepped and sustainable basis is by supporting the indigenous companies.

Alan Clements: That is true. Ewan Angus makes a good point about the skills gap. There is no question but that lift and shift has helped to close the skills gap. We make "Antiques Road Trip" and the quiz show, "The Link". Part of the work for "The Link" involved the skills that came up when "The Weakest Link" moved to Scotland as a lift-and-shift production.

It is important that we do not look at the issue as a war between inward investment and indigenous companies, because the truth is that we need both. I do not think that we should think only in terms of programmes from Scotland having to be about Scotland. That would be a dangerous path for us to go down, particularly because the real focus is on building up production across all the UK networks and on building up international production, which we have not talked about yet but which really has to be our ambition.

Dennis Robertson: At least two of the members of the panel have talked about a memorandum of understanding. How does that impact on the skills that we have in the sector? Does it have an impact in terms of the lift-and-shift aspect?

Ian MacKenzie: An example from Channel 4 involves a documentary production that was initially a one-off programme. The ambition with that pitch to Channel 4 was that, if it was successful, it would go to series. Often with documentary commissions, certain directors are seen as being the people who will be able to steer that project to success. The company that was involved was IWC Media, which is best known in Scotland for "Location, Location, Location". Not just from a daytime perspective but from the perspective of features lifestyle programming, Glasgow is arguably without equal as a creative city outside London in terms of the skills set that exists in that kind of programming. IWC has had success with its documentaries outside Channel 4;

until recently, it had not had much success with Channel 4.

We were able to use the memorandum of understanding with Creative Scotland to invest specifically in an emergent director who the company rated, even though my colleague in Channel 4 had suggested another person, who was seen as a steady pair of hands, to see the documentary through. As a result of our supporting that young director, she will direct one of the episodes in the follow-up series. It is only a pilot project, but I think that it points towards a way of retaining talent that we rate in Scotland and of allowing people to learn on the job. I stress that the person whom we are talking about already has a good track record and is quite high up in production, and that we have to be able to apply the model at different levels of production and not just to someone who will direct a documentary. That is something that we would look to replicate with Creative Scotland.

Ewan Angus: I would not link our partnerships with other agencies and bodies to the issue of lift and shift, other than to say that our understanding with the Royal Conservatoire of Scotland, Creative Scotland and so on is about equipping people with the right skills so that they can be placed in the right jobs that are available in Scotland. With Creative Scotland, we co-fund the Creative Skillset drama training programme, which aims to equip people to work on high-end dramas in Scotland in the years to come. Our MOU with STV is about how we can be more efficient, how we can share and pool resources and how we can provide a better service to our audiences.

Drew McFarlane: As a trade union that looks after actors—in that regard, I am glad that Ewan Angus mentioned the Royal Conservatoire—our position is that we need high-end television drama to happen in Scotland on a rolling basis. The demise of Shed Productions and the loss of the associated talent base will have a greater impact on our members than having more programmes such as "Homes Under the Hammer", "Location, Location, Location" or "Antiques Road Trip". With the greatest respect to the producers and the technicians who work on those programmes, the biggest income generator for Scotland will be high-end television drama. That is also where you attract the international interest.

Chic Brodie: I have a question about programmes such as "Borgen", "Wallender" and "Spiral". Why is it that "Borgen" can be produced in a country that is smaller than Scotland? What is different? Do we not understand where the emphasis needs to be? Are we internationalising the industry properly?

Drew McFarlane: I think that those countries are quicker off the mark. Denmark spends £10 per

person on film, whereas spend in Scotland is £1, and in Ireland it is £2.

There is a whole history that you would need to look into. For example, people have been asking for a sound studio in Scotland since the 1930s. One of my predecessors in this post, Alex McCrindle, was quoted in *The Herald* in 1956 saying that there was a need for a Scottish film studio. We are still having that debate. The reason why Denmark and Sweden are producing high-end television drama that everybody likes is because all that infrastructure was put in place well before now, while we and our public bodies simply talk about it. We need to think about putting our money where our mouths are, quite frankly. Our members are leaving Scotland and going elsewhere because the high-end television dramas are elsewhere.

I will not harp on about Northern Ireland all the time—[*Interruption.*] I should do, should I not? The point about “The Fall” was that more folk watched that drama than watched any other drama on television. That was because the BBC came together with the lead agency and the politicians in the Department for Culture, Media and Sport to ensure that that happened.

When you think about it, we have been calling for the infrastructure here in Scotland for the best part of 80 or 90 years, in fits and bursts. In Northern Ireland, they had the so-called troubles and decades of neglect. All of a sudden, since 1994, or since the Good Friday agreement, there has been a huge rebirth in its film and television industry. It is a phenomenon that is unknown elsewhere. Everybody from the First Minister to the Deputy First Minister has been over to Los Angeles. I have no doubt that they enjoyed their trips and so on, but the politicians, the public bodies, the broadcasters and the lead industry body, Northern Ireland Screen, seem to have demonstrated a concerted approach that is aimed at bringing high-end television drama to Northern Ireland. That not only brings in high-technology and high-skill jobs but meets the aspirations of all the young folk who are at the Royal Conservatoire in Scotland and others who want to work in the industry. If they can do it in Northern Ireland by knocking together a few heads, surely it can happen here.

Johann Lamont (Glasgow Pollok) (Lab): It is depressing that the two public bodies that are charged with the responsibility for driving the strategy are actually acting as a brake on what is happening. Is that because people think that the creative industries are not an industry and they are, therefore, treated differently?

I am interested in the lift and shift idea. It strikes me, from reading the submissions, that there is a degree of cynicism about whether we are meeting

the policy aspiration. It is not that people are closing down and looking only at Scotland or that they are not interested in sharing and enrichment; it is that they believe that, in reality, a box is ticked to make it look as if something has been done and, when the productions go, there is nothing left behind.

One of the submissions notes that we may get lower-level technical jobs from the policy in the short term but, in all the other areas, folk are coming in, working and then going away again. Perhaps Drew McFarlane can give us the trade union view on that.

My last question is on an issue that Drew McFarlane mentioned. Why do we not have a film studio yet? Where should it be? What needs to be done to make that happen?

The Convener: That is a lot of questions.

Drew McFarlane: I will start with the question on lift and shift. For a while, the BBC had a policy that it would start to move production away from the London-centric areas to the nations and regions. It did so in fits and starts, but we, as a trade union that looks after actors who work in the industry, could see that what it was actually doing involved moving a production to a national or regional area and moving all the actors there, too. For example, for the production called “Fairy Tales” that came to Northern Ireland, all the roles were cast in and around the M25 and London. The company even brought over the camera crews and technicians. Only the local catering companies and the taxi drivers, and a few other industries, managed to get a few bob out of it. A lift and shift policy is about companies taking what they are already doing down there and moving it up to Jockland for a wee while to tick a box. That does not really do anything for the film and television industry, and it certainly does not do anything for our members.

There can be infrastructure problems with the skills base, but that is often not the case. I will give you another example that just came into my head. We have been campaigning to get Ofcom to change its definition in that respect. It stipulates that, when a company produces a programme in the nations and regions, a certain percentage of local technicians must be engaged. However, it does not specify the same rule for actors, who make up the other talent base. We were fed up with only a cough-and-a-spit part going to the odd actor who is based up here, so we asked representatives of Ofcom whether the definition could be changed. They shook their heads and wrung their tea towels, and they said, “We’ll look at it, but we can’t really do that.”

We were not asking for every part that is cast to go to a Scottish or Northern Irish actor; we were

seeking—without giving any exact figures—an assurance that at least some of the local talent base would get meaningful jobs in a production in the same way as technicians do. That is still not happening.

The Convener: Do you want to answer the question about the film studio?

Drew McFarlane: I went off on a tangent there. What was the other question?

The Convener: The other question was on the film studio. Why is it taking so long, and where should it go?

Drew McFarlane: Why is it taking so long? I cannot seem to grasp that. Someone really needs to say, "Let's stop discussing this ad infinitum and just do it." Someone has to take a wee bit of a lead.

The Convener: Who should be doing that?

10:15

Drew McFarlane: There has to be a wee bit of a lead from the politicians, because they cannot get off scot free. Somebody should say, "Look, this is an income generator, not a subsidy. Who do we talk to? Let's make it happen."

Do you know how the Paint Hall in Northern Ireland took off? It took off because of an agent who was barred because she spent the actors' money. When I was given Northern Ireland I thought, "Oh, no—Jo Gilbert." Maybe I should not have named her—it is too late, as they say.

The bottom line is that she engaged with all the local politicians, with the national politicians in the devolved Government and with Northern Ireland Screen, and they all jumped on board. Ships were no longer being painted in the paint shed at Harland and Wolff, so the space was available. We were given a tour of it, and when I first saw it I thought, "It's a great idea, but I can't see it happening." It did happen. When the agent went out of business, the politicians and Northern Ireland Screen jumped in and made sure that it happened.

Then came films such as "City of Ember", from Tom Hanks's production company, and "Your Highness". Everybody was involved in the project, including the lead bodies and the politicians, because the local politicians had the foresight to see that in an economy that is much the same as Scotland's—Belfast's economy is much the same as Glasgow's—our skill bases are changing. It is a high-tech, high-skilled industry that meets all the aspirations of our young people who want to work in it, and the politicians wanted to make it happen. They have to do their bit as well.

Where should a film studio be located? I am a Glaswegian, but I would not say that it should be in Glasgow. It does not matter whether it is in Glasgow or in Edinburgh, because both have the networks, infrastructure and transport links, but it should happen somewhere in the central belt. I have heard about the idea of going up to Inverness, but I do not think that that would be the answer.

Johann Lamont: As a local politician from Glasgow, I am more than happy to say that the studio should come to Glasgow. Glasgow has a proud record of making long-term decisions such as those that allowed us to have the Commonwealth games. That happened because the council was courageous. There is an issue about local politicians, but do you not think that the cabinet secretary should just make the decision?

Drew McFarlane: Sure. Why not?

The Convener: A number of issues have been raised about the film studio. It would be interesting to get other views from the panel on whether we need a film studio, who should deliver it and where it should be.

Ian MacKenzie: I will speak on behalf of my colleagues in Film4, to some extent, in answering that question. I spoke to them about my coming here to give evidence today, and they said that they would welcome a studio. Whether a film production company is indigenously based or is looking to come and make a film in Scotland, Scotland is the envy of many parts of the world because of its amazing locations. However, my colleagues sound a note of caution in that quite a lot of films that end up being made from Scotland are made on a locations basis and are not necessarily studio films. That is not to say that, once a studio was in place, the situation would not change over time. From a television perspective, Channel 4 would always welcome something that addressed the fact that studio space is in relatively short supply in Scotland, and if that allowed bigger productions to happen from here, we would welcome it.

Alan Clements: STV would certainly welcome a studio and an early decision on it, but there is also the issue of the work. I have the benefit of being somewhat older than other witnesses, and this is the first time that I can remember when, in all the networks of the UK, there is not a major returnable drama brand based in Scotland. No one misses "Taggart" and "Rebus" more than we do, trust me. However, although great work is going on with "Shetland" and "Case Histories", they are more episodic and do not have 10 or 12 episodes every year to sustain actors as well as technicians.

The issue is not just the infrastructure; we have to get Scottish ideas, which are not lifted and

shifted but are actually from here, back on network television. They do not have to be little Scotlander ideas. "The Fall" hardly mentioned the troubles at all—it was just a fantastic drama based in Northern Ireland with great Northern Irish talent in it.

Ewan Angus: I agree with Alan Clements. A significant increase in higher-end drama from Scotland is certainly a shared aspiration. In particular, we need at least one long-running, returnable series.

The issue should be set in context. "Waterloo Road" was referred to earlier. It is not unusual for a drama project to take as long as three years to appear on television from the early discussion about it. In coming here under the lift and shift policy, "Waterloo Road" served a purpose. In some ways, trying to uproot a programme that was established in one geographical location, put it into another location and take the audience with it was quite a bold move. That might have worked; however, ultimately, it did not work as well as we would have liked.

If popular drama is not popular enough, it will inevitably have to be culled at some point. "Waterloo Road" was a very well-made series that had a loyal audience, but that audience was simply not big enough, unfortunately. I know that my colleagues in BBC Scotland drama are trying very hard to come up with ideas for programmes that could be made in the sort of volume that "Waterloo Road" was made in and that could sit comfortably in the peak part of the BBC schedule.

Richard Lyle (Central Scotland) (SNP): I have listened intently to what has been said, and I welcome Drew McFarlane's comments. He may want to comment on an email that I have—maybe it was one of his members who sent it to me—and say whether I am getting things right.

The chap's email says that

"Scotland is being significantly left behind the other nations" and that

"Creative Scotland ... was a big mistake".

He says that Scottish Enterprise is continually doing feasibility studies about feasibility studies and

"Meanwhile Wales and Northern Ireland are getting the builders in!"

I could go on ad infinitum; the email is too long to read out. Basically, the chap suggests—this issue also straddles into the other panel—that we should

"Look at the film and TV model of other countries ... Set up a dedicated Film and TV commission (and Games?) That is detached from arts funding that has a significant budget"

and

"Set up with partners a state of the art Studio complex in the central belt".

I would go for Glasgow, but I am quite happy for that complex to be in Edinburgh. He says:

"we have some ... beautiful locations"

throughout Scotland,

"but no studio which means overseas film makers need to split countries and most just don't bother to come for this reason."

I know that you have made this very clear, but what would your members want in Scotland? I am interested in that.

Drew McFarlane: I think that I might have written that. Actually, I do not know who sent you that email, but I could not concur more with the sentiments that are expressed in it.

Nobody has mentioned the games industry, which has taken off in a big way for our members. We are struggling to get to grips with it, because the games industry employers are not used to collective agreements and do not want to speak to trade unions. That is a difficult area for us.

However, all the industries are symbiotic in the sense that they all use similar techniques. I keep repeating that those techniques are all high end and highly skilled. When folk talk about jobs for young people into the future, they say, "Where are we going to get the high-end, high-tech, high-skilled jobs?" They are all there in the film, television and games industries. We should be doing things here.

I could not agree more with the email. I just wonder who sent it.

Richard Lyle: Are there any other comments? Should we split Creative Scotland? It was created four years ago. I had better not read out what the chap said about it, because he—or I—might get sued. What is the problem?

Alan Clements: If the idea is just to get on with it, going through a whole break-up of Creative Scotland and a rethinking of new public agencies would not help us to get on with it. Somebody must be given the clear remit to do it. Northern Ireland Screen's website shows that it is the number 1 thing that it has to do. We do not have anywhere near that clarity in Scotland.

Richard Lyle: How can we get that clarity?

Alan Clements: We can make it somebody's job to do it. We can make it their responsibility and have an agency or—even better—a person own it, who will be accountable to the Scottish Parliament and the Scottish Government for their ability to do the job.

The Convener: I apologise to Jane Muirhead. You were keen to come in earlier and I did not let

you in. Have you now forgotten what you wanted to say?

Jane Muirhead: I have lost what my point was.

The Convener: Was it to do with the film studio?

Jane Muirhead: Yes, it was. The PACT film members in Scotland broadly support the idea of a film studio and would like to see one up and running as soon as possible.

Johann Lamont: Are you as mystified as everyone else as to why it has not happened?

Jane Muirhead: Yes. It is incredible.

The Convener: We now have questions from Lewis Macdonald.

Lewis Macdonald: I want to pick up a point that Jane Muirhead makes in her submission about BBC charter renewal. Ewan Angus will want to comment on that. What more can be done with all the public sector broadcasters, including STV, to encourage and enable more independent production in Scotland over the next 18 months? Jane highlights the charter renewal and the opportunities that there might be for the independent production of programmes that are currently made in-house. Some of those programmes are made very well in-house, but there are opportunities for independent production there. I would be interested to hear a bit more about that and to hear the responses of broadcasters. Is that a reasonable way in which to stimulate independent production, or is that a manipulative remark?

Jane Muirhead: These are interesting days for television, with a lot of big things coming down the line, including the PSB review and the BBC charter renewal. It is important to remember that film and TV production and the games industry have very different business models. At the heart of television production for the independent sector, the issue is ownership of IP. The one thing that is enshrined in our industry is the terms of trade with the public service broadcasters, which we must protect.

Different business models are being mooted for the BBC going forward. This may be a good time for Ewan Angus to come in and for us to open up the discussion. Anything that opens up opportunity for independent producers is always a good thing.

I have to come back to the lift and shift policy. We have talked about "Waterloo Road", and I am sorry to say that Shed Productions closed its office here and retreated to London. When you lift and shift production, the difficulty is that you still have London commissioners speaking to London companies. I just had to get that point in.

Lewis Macdonald: Before Ewan Angus comes in, I note that we have had a submission suggesting that Ofcom or some other body needs to verify that what appear to be Scotland-based production companies really are Scotland-based production companies. Does PACT sympathise with that view, or is that an overreaction to incidents such as what happened with Shed Productions?

Jane Muirhead: I have looked at the out-of-London register. You probably could ask questions about some of the production companies, but they have to meet three criteria and, although one or two companies may be questionable, the others in the main may not be.

Ewan Angus: We are extremely rigorous in our application of the Ofcom criteria and we ensure that companies that come here meet them. As I said, mobility and the inward investment of talent and skills are not, by any means, bad for the Scottish market. Nevertheless, we do support indigenous companies.

10:30

In 2013, which is the year on which we based our submission, we dealt with 60 independent production companies in radio, in television and online. Of the £90 million of eligible network spend, 80 per cent went to independent production companies as opposed to in-house at BBC Scotland. I do not think that there is any sense in which we do not fully support the independent production sector in Scotland. Ultimately, it is all about the best ideas getting made by the best people and about ensuring that we deliver absolute value for money to our licence payers and give them the high-quality programming that they expect from us.

Chic Brodie: Can I ask a question?

The Convener: Hang on—other members want to come in. Gordon is next.

Gordon MacDonald: Alan Clements talked about needing to get more Scottish-based ideas for drama on television, and Jane Muirhead said something along the lines of there being a difficulty to do with London commissioners. That issue is mentioned in some of the written submissions. One in particular says:

"Scottish based indies ... struggle to get meetings, have calls and emails replied to and be generally taken seriously by commissioners down South".

How easy is it to get access to commissioners? Are they London-centric, as another submission says? Are any commissioners based in Scotland? If there are, how effective are they? Are they busy flying back and forth to London all day?

Drew McFarlane: There are a lot of good ideas but you have to get them through the London commissioners, which is the difficulty.

I also want to touch on the public broadcaster. We really need to retain the public broadcaster—the BBC—and the licence fee. That is our union's policy, because the vast majority of our members work on the basis of the BBC either making programmes or commissioning drama programmes.

Equity has had a campaign here, called "Make it in Scotland", and a campaign in Northern Ireland called "Make it here—we'll make it everywhere". We have had those campaigns and lobbied because of the lack of indigenous television production or because we have seen it fall away—we have seen it fall away here in Scotland. Alan Clements has already said that he would love to still be making "Taggart" and "Rebus", and it is a sad fact that our commercial broadcasters do not seem to make the same amount of drama as they once did. By and large, I think that STV does very little. I hope that that will change

Getting ideas past the commissioners is very difficult. When we speak to the head of drama at BBC Scotland and the head of drama at BBC Northern Ireland, it is the same old story: they say, "We have lots of ideas but we cannot seem to get them past that brick wall down in London—is there any help that you can give, Drew?" I have been down to White City with the head of film and TV and all the senior apparatchiks in Equity, and I have talked to the people there and at Ofcom, but we are still having problems. The pipeline might not be completely blocked but it is certainly well jammed up, because there is not a lot happening.

Alan Clements: On the previous question, I have been accused of many things in my life but thankfully being insufficiently Scottish has never been one of them. I think that our commitment to the Scottish production industry is there for all to see.

I will just clarify something in relation to Drew McFarlane's point—we are not opposed here. "Taggart" and "Rebus" were ITV network commissions made in Scotland; they were not STV commissions. However, STV does an incredible amount. Obviously, there has been the launch of STV Glasgow and just last week there was the launch of STV Edinburgh. Those are not drama jobs but they are jobs in Scotland. To give you a sense of where we stand, we have a core staff of about 23 to 25 people but we employ between 200 and 400 freelancers every year—some in Scotland and some across the UK. That work is incredibly valuable.

I do not think that it is for us to comment directly on BBC charter renewal. However, I will echo the

point that we need to increase production in Scotland. Is commissioning London based and London focused? Yes, it absolutely is. Is their interest in Scotland the first thing that commissioners think about in the morning? No, it is not. When commissioners base themselves in Scotland, it has a huge effect—Ewan Angus used the example of Jo Street. It is no accident that BBC daytime commissions out of Scotland have rocketed since she was based out of Glasgow.

Ewan Angus: Yes, it is all about maximising investment and opportunity.

I take exception to what Drew McFarlane said. Drama is a very competitive genre that requires massive amounts of investment, so people understandably want to make the right decisions. However, in the past two or three years, we have been working closely with drama commissioning in London, which has resulted in a raft of programmes from "Castles in the Sky", "The Field of Blood" and "Shetland" to "Katie Morag" for children. At the moment, we are in post-production with a two-part adaptation of the Iain Banks novel "Stonemouth". Those programmes have all come about as a result of collaborative working between me as a commissioner in Scotland and the commissioner in London. There has been a definite shift in that area over the last wee while.

On the general point, we would of course always support greater devolution of commissioning. It would be helpful to have more commissioners commissioning for the UK based in Scotland.

The Convener: I ask Dennis Robertson to make his follow-up question brief, as Patrick Harvie and Joan McAlpine have not asked a question yet.

Dennis Robertson: It is very brief. Ewan Angus mentioned the audience and investment. Obviously, the audience is extremely important, but is the problem that we are buying too many programmes from overseas that the audience is switching on to rather than indigenous programmes? I am talking about programmes such as "NCIS" that we are buying in from the States. Is that not the issue?

Ewan Angus: There is no doubt that we now have a much more diverse marketplace and that our audience can make far more choices. That is a challenge for us, but for me it is a good thing, because it ups everybody's game. There is no doubt that imports from America and the kind of activity that we have seen from Netflix—

Dennis Robertson: Is that not cheaper than investment in indigenous programmes?

Ewan Angus: Not necessarily. I think that the model that we will see more in future is that of

heavily co-produced pieces. Money will be found from various parties to come together and create pieces of drama that are as impactful as possible.

Patrick Harvie (Glasgow) (Green): I want to draw together a few strands. There has been a lot of emphasis on the high-end, big-budget productions, which will clearly always be a major part of the industry. However, I want the panel to look ahead and speculate a bit. The just get on with it message has been clearly expressed, which is great, but I ask the panel to think into the 2020s and what the structure of the industry is likely to be.

A few minutes ago, we heard comparisons with the games industry. The high-end production is still important but, last week, when we took evidence from the games industry, we heard about the massive growth in smaller-scale productions, which is partly driven by the change of platforms. Obviously, that happens more quickly in the games industry than in film and television, but we are seeing that change of platforms. So far, that has mostly involved changes in the way that people consume, but what will that do to the way in which content is produced and what are the likely implications for the structure of the industry?

As platforms continue to merge and as linear consumption disappears, will there be an expansion of the role of small-scale and cheaper entry-level production, as technology that, 10 or 15 years ago, might have been available only to high-end production companies becomes more available and affordable for small-scale companies? What will that do to the structure of the industry?

What do we need to be aware of in terms of what is coming, rather than in terms of getting better at what we are doing now or starting doing what we are not doing now?

Ian MacKenzie: I can comment from Channel 4's perspective. The point about the emphasis on high-end productions is important. We are talking about the issues from a Scottish perspective but, in my role in Channel 4, I meet people from Northern Ireland, Wales and the English regions. "Hollyoaks" is made in the north-west of England, for example. That is fantastic for the company involved, but factual producers in that part of the world have struggled to get the same kind of traction. A comparison with the Scottish sector would show that Channel 4 has commissioned work from a good diversity of companies here. Getting the ecology and the mix of companies right is really important.

Channel 4 is already looking at shorter-form content as part of 4 on demand, which was the first video-on-demand service to launch in the UK. We are undertaking an extensive refresh of that,

which involves looking at origination on that platform. Channel 4 and quite a lot of our partners have learned the hard way that the likes of YouTube are not necessarily the best platform to control outcomes to the benefit of public service broadcasters or companies. There are huge success stories from YouTube, but they are one in a million. It is important that Channel 4 looks at new ways of drawing advertising revenue, as that is how we fund our programming. We are looking to roll out and continue that refresh over time.

Although the death of linear viewing is often pronounced, a lot of research shows that it is in relatively good health. Actually, people choose to consume on more devices, and I think that I am right in saying that they consume more content than they ever did. The issue is about us as a broadcaster offering people the widest choice and serving the audience in the best way possible. The good thing about that is that it offers an opportunity to a wider range of creative companies.

Ewan Angus: It is absolutely incumbent on us as broadcasters to try to drive entrepreneurial activity by capturing how people go about creating content. We have seen that over the years. The trick is to ensure that the audience does not notice a deterioration in quality as a result. It is all about being more cost effective. For example, computer-generated imagery has come down massively in cost, and we can do things in documentary programmes that we would not have been able to look at a couple of years back. It is important to bear that in mind.

Although we have been talking about high-end drama, in Scotland we have an example of an extremely efficiently produced continuing drama, which is "River City". Its production values are very high and it is made at a realistic price.

Patrick Harvie: I am not suggesting that the growth of smaller-scale productions or a blurring of the line between professional and amateur production will displace the high-end professional and big-budget productions, but surely they will change the kind of infrastructure that we should put in place if we are going to encourage people into the industry that will exist in 10 or 15 years. We should not simply think that we will be better at doing it the way that it is done now.

Ewan Angus: Oh, yes. I agree absolutely that we will see all sorts of models for how content can be created. Another exciting thing is that in the years to come we will find and engage with interesting talent in different ways—perhaps very different ways—from those in which we have engaged historically.

Alan Clements: Patrick Harvie made a number of interesting points. We have focused a lot on

high-end drama, but returning productions such as “Location, Location, Location” and “Antiques Road Trip” are important to the Scottish industry, even though they are lower cost and high volume. They are different ways to get to the same amounts.

The issue of new platforms splits into long form and short form. Look at “House of Cards” on Netflix—I am sure that, as politicians, you will all have enjoyed it enormously—

Patrick Harvie: I prefer the original.

10:45

Alan Clements: Indeed.

It is on a different platform. It is a very high-end and brilliant drama, but it is actually quite a traditional drama—it is just delivered differently.

For short form, there will be great opportunities on Channel 4, and BBC3’s move online, if it is approved by the BBC trust, will open up new opportunities. With short form, the issue is how to monetise it. There are lots of crazy cat videos on YouTube, but how do companies actually make money?

I am sure that Jane Muirhead would echo the point that many companies in the Scottish industry are sub-scale and undercapitalised, even in comparison with the Welsh industry. Wales has a smaller population, but companies such as Tinopolis and Boom Cymru are acquiring companies in London, as opposed to being bought by companies in London. Tinopolis, operating out of north Wales, is a massive international company, and we really do not have anything of that scale in Scotland.

There were a number of answers there, but a number of distinct points were raised.

Joan McAlpine (South Scotland) (SNP): I apologise to the witnesses and to you, convener, for being delayed this morning.

Quite understandably, the discussion today has revolved around the economics of the industry, how we build capacity and infrastructure and how we sell commercially viable products, but I want to approach things from a slightly different angle. We would all agree that there has been an incredible flourishing of Scottish culture generally in the past few decades. We have seen the rise of the National Theatre of Scotland and a whole renaissance of literature. However, do you agree that that is not particularly reflected in film and screen?

There is also a whole issue around the canon of Scottish literature. Whether we go right back to Walter Scott or think about 7:84 or whatever, that is not particularly reflected on screen, yet that is how most people consume a lot of culture. Do you

agree with that? Is there any viable way for a small country such as ours to solve that problem?

Ewan Angus: There are probably two aspects to that. Are you specifically talking about dramatisations and adaptations of Scottish literature?

Joan McAlpine: Yes, I am talking about that and about some of the more recent plays from the National Theatre. I was going to go on to discuss the submission from the Scottish Documentary Institute, which is an ambassador for the country but which gets very little subsidy. Is it possible to make that kind of stuff without a large subsidy?

Ewan Angus: There are a few things in there. As I mentioned, we are involved in making an adaptation of the Iain Banks novel “Stonemouth”. Period pieces are obviously much more expensive productions to mount, but I agree that we could and should consider that. We have invested in the current adaptation of “Sunset Song”, which Terence Davies has made and which is in post-production at the moment. Where there are opportunities for us to get involved in such ways, we absolutely would do so.

We have been good at reflecting the broader importance of Scottish culture through our arts output. Last year, we produced a series fronted by Andrew Marr called “The Men who Invented Scotland”. We would constantly consider that. We are currently talking to the National Theatre of Scotland about a potential project. Two or three years back, we produced a documentary about “Black Watch” and covered a performance of it.

Drew McFarlane: The actors who are in theatre are the same as the actors in film and television. They move from one medium to the other—that is the life of the actor. However, most of the actors who work in theatre would say that they want a better chance to work in film and television, because the wages are better. That is the bottom line.

The National Theatre of Scotland has been a great success not only for sending out a message about Scotland but for us and our members. We tend to do cast meetings with actors in rehearsals. One week at the start of last year, I did a cast meeting for a National Theatre production, which was followed by a different cast meeting the next week and another the week after that. The National Theatre was eating and producing theatre on a scale that we had not witnessed before. To that, we must feed in what was happening in the rest of the theatres.

The National Theatre took a long time to get off the ground. It took a lot of lobbying and campaigning and then came the political will. The same needs to happen with the film and television industry. That is where the link is cogent. If we do

not have the political will, people will simply continue to talk. Creative Scotland has been talking about the sector for a number of years, and it will probably still be talking about it in the future; indeed, the new director has a paper due out this week.

The issue must be seized and there has to be the right political will to make things happen. We need to bring in industry experts and people from abroad. I highly recommend going over to Northern Ireland to talk to the people at Northern Ireland Screen and visit the Harland and Wolff shipyard studio, where it produces "Game of Thrones".

The link has always been there. The National Theatre came about only with the right political will. That is what we need with the film and TV industry.

Alan Clements: The answer to Joan McAlpine's question is yes, but there has not been enough of that approach. This year, we are putting two of the Scottish Documentary Institute's films on STV. We have been working with it so that it can get exposure on television.

In drama, the perfect storm or the best of all worlds is a Scottish story that has international resonance, with a Scottish writer and cast. That is not impossible. Next week, we are sitting down with Gregory Burke, who wrote "Black Watch", to brainstorm ideas for television. He has just had a big success with the film "71".

We could always do more but, on the question of the London commissioners, the commissioning must be by people who are aware of the books or the movements that Joan McAlpine mentioned. The commissioners are the gatekeepers of the cash—that is the circumstance in which we find ourselves. In a perfect world, what Joan McAlpine suggests is what we would be doing.

Ian MacKenzie: We would welcome and look at that, certainly from a dramatic perspective, were it pitched more often. The only complexity is that Channel 4, as a pan-UK broadcaster, seeks to appeal to as broad an audience as possible. As Alan Clements says, we always look for source materials that will appeal to a broad audience and, ideally, a global one.

A brilliant example of an amazing story unfolding here in Scotland was "The Murder Trial". Unfortunately, that feature-length, multi-award winning documentary was made not by a Scottish production company but by Windfall Films. I suppose that it was able to cast a bit of an outsider's eye on the uniqueness of the Scottish legal system, which had allowed cameras into Nat Fraser's murder trial.

Stories are going on in Scotland all the time. Sometimes, it is important for people to look to their doorstep and think about how the story would sell to the UK network. It is always possible to do that, but the thinking must be along those lines, certainly if it is to work for Channel 4.

Jane Muirhead: I would not disagree with anything that my colleagues have said. However, I am not a commissioner and it is always down to the person who is buying.

Joan McAlpine: To pick up on Ian MacKenzie's point, I have heard people say that commissioning is commercially driven and that a production must have wider appeal. However, what if something is completely unknown and, as Alan Clements said, the commissioner does not know about the author, the books or their importance? Commercial considerations cannot be overruled, but is another mechanism needed? Some productions on network television are not commercially driven. In relation to Scottish output, do we need a new mechanism in which we promote material that is culturally important, even if a commissioner in London does not think so?

Ian MacKenzie: The specifics of a mechanism are difficult for me to comment on at this point. Across the genres, the issue comes down to one point, although drama has unique challenges. A drama commissioning editor sitting in a pitch meeting wants to know who the writer is or what the source material is and who will adapt it for the screen, and that information needs to come from a production company. The ability of the production companies to sell the source ideas is key. A lot of that is about building the relationship with the commissioner, just as it would be in any other genre.

You asked about a mechanism that might better expose the brilliant source material, particularly the more contemporary source material to which you refer. Ordinarily, Channel 4's drama output tends towards a more contemporary setting, although that is contradicted by the schedule just now, because we are doing a period piece. We should do everything that we can to build better links with the theatre groups and writers who are producing fantastic source material and to better link that to the production companies that have to pitch the idea.

Drew McFarlane: I will give a wee example of a role reversal whereby a really successful television series became a phenomenal theatre success: "Still Game", which, by the way, is about Scottish culture. If the idea is right, it will happen. In that case, we had a classic and brilliant piece of BBC comedy that was then made on stage.

Chic Brodie: We have talked about the need for high-level drama. I fully support that and the

need to focus on the decision making. I understand that one of the biggest and most successful programmes that is produced in Glasgow is “Mrs Brown’s Boys”. What criteria does the BBC apply in reinvesting some of the huge moneys that have come to it as a result of that programme?

Ewan Angus: The simple answer is that the money comes back through BBC Worldwide and gets invested into the BBC in general.

Chic Brodie: It does not come back to Scotland.

Ewan Angus: It comes back to Scotland by way of a dividend pot that Scottish producers can bid into in the same way as producers elsewhere in the UK can bid into it. We have been very successful in recent times. For example, historical series such as “The Stuarts” or “Clydebuilt: The Ships That Made The Commonwealth” had BBC Worldwide investment from the dividend pot. The pot exists because we make massively popular shows. Whether it is “Mrs Brown’s Boys”, “Top Gear” or “Strictly Come Dancing”, the money flows back in and there is a mechanism for that to return to Scotland.

Chic Brodie: What is the mechanism?

Ewan Angus: The mechanism is that producers make a bid on the basis of ideas. If the ideas are good enough, the investment will follow.

The Convener: We are out of time. It has been an interesting session. I am grateful to all the witnesses for coming and for giving us your views, which the committee will take away and digest. We will produce a report in due course.

We will have a short suspension to allow the next panel to join us.

10:58

Meeting suspended.

11:06

On resuming—

The Convener: I welcome our second panel of witnesses this morning. I will introduce them all, starting on my left. Ken Hay is chief executive of the Centre for the Moving Image; John Archer is a producer at Hopscotch Films and chair of Independent Producers Scotland; Arabella Page Croft is a producer at Black Camel Pictures; Iain Smith is a producer and chair of the British Film Commission; and Bob Last is an independent producer. Thank you all for coming along.

I am sure that you will have heard at least some of our discussion with the first panel, and I suspect

that although a number of issues that were discussed then will come up during this session, members will also be keen to explore specific issues around film. I intend to allow the session to run for about 90 minutes or so. I ask members to keep questions short and to the point, and I ask the witnesses to keep answers as short as possible. Members should initially direct their questions to one witness. If you want to come in and respond to a question that somebody else has answered, catch my eye and I will bring you in as time allows.

I will start by raising an issue that generated quite a lot of discussion with the first panel of witnesses: the role of public agencies. I quoted from some written submissions; there is a sense in them, as in the oral evidence that we have heard this morning, that there is a lack of leadership from the public agencies and that the film industry is falling between the two stools of Creative Scotland and Scottish Enterprise because there is no proper public sector focus on it or support for it.

Arabella Page Croft has spoken about that in her submission and in public. What is your perspective on whether there is a lack of focus or leadership from the public sector?

Arabella Page Croft (Black Camel Pictures):

There is definitely a lack of focus. It has become very clear that our industry is suffering from market failure, as is evidenced in the “Review of the Film Sector in Scotland” of January 2014. Only a handful of producers are working regularly in Scotland today—I am talking about film producers. Since the review was published, there have been 26 meetings between Creative Scotland and Scottish Enterprise. We have had meetings with the Government and there have been a number of our own IPS meetings. Nothing has happened for our sector—no intervention has been made to address the systemic market failure.

We believe that we require a task force and Government intervention. I am afraid to say that our businesses do not fit Scottish Enterprise’s criteria: we do not hit their turnover requirements. If members know all this, please tell me, but film producers often run very small companies that have to expand very rapidly. Our turnovers in development can be very small, but our production turnovers and economic imprint in Scotland—or wherever we are making our films—can be significant; it can go up to £10 million or however big the film’s budget is.

We are pretty depressed and disillusioned, and we ask that consideration of our sector be removed from Scottish Enterprise. I am on the board of IPS, which represents 40 producers, and we have concluded that Scottish Enterprise is not, at this juncture, fit for the purpose of looking after our film sector.

I also believe that Creative Scotland is underresourced when it comes to film. I said in my submission that my company has had vital public funding for development. I would like that not to be considered as subsidy, because it really is investment that I have paid back to Scotland in spades over the course of my productions over the past year. Early in my career I was very grateful for that bit of development money, but now it is just not enough. I have been successful with slate funding from Creative Scotland, but caps are imposed. I am being asked to develop projects for the international market with a cap of an overhead of £10,000, which is Creative Scotland's requirement. On the other hand, I have Scottish Enterprise saying, "Unless you have a turnover of £400,000, you don't fit our criteria, and, by the way, we can only give you 30 per cent."

I am just not in a position where I can develop my company, develop my staff, get more films moving, take on people or move into returnable drama—which reflects a lot of what has already been said. Some of those things are specific to me, but I know that I speak for an awful lot of producers in my field and in film. We call for Government intervention. As soon as possible we would like a task force that is answerable to Government, working alongside Government, to rectify the crisis and market failure.

The Convener: "Crisis" is quite a strong word. I am interested to see whether anyone else on the panel has a view.

Bob Last: I recognise the problems that Arabella Page Croft speaks of, but if it is a crisis, it is a crisis that has been going on for 30 years, which kind of means that it is not a crisis. I recognise the situation that has been described, but it has been like this for quite a while.

Scottish Enterprise looms large as a challenge in this. I make quite significant-sized films that have a high cultural content. If one thinks about the matter in an overarching way, before one gets too specific about given agencies, one can see that film, in particular, is unusual, because it involves both cultural and commercial parameters, often in the same content. I do not think that the market is actually in quite such a state of failure, because there is a market that recognises the commercial element of a given production and there is a market of soft money that recognises the cultural element. Some of the challenges that the sector faces are its own fault because it has not articulated clearly enough the combination of, and synergy between, the cultural and commercial. When, as a producer, one is going out to seek finance for something, one must be very clear about the commercial versus the cultural element of the production. It varies every time one sets out to make content, but as a result there is a very

sophisticated and distinct model, with which it is extremely difficult for public agencies to engage effectively.

11:15

The Convener: Would anybody else on the panel like to comment briefly?

Ken Hay (Centre for the Moving Image): I will go back to the lack of leadership from the public sector. The challenge is that a genuine commitment from politicians on what we are trying to achieve is required. That goes back to what the earlier panel said. Over a 30-year period, there have been all kinds of configurations of different bits of the public sector, public policy and public interventions, but there has been very little joined-upness.

I was reflecting that it was nine years ago this week that "Scotland's Culture", which was the main policy document that brought about the creation of Creative Scotland, was published. It said that there was a

"current lack of clarity about the roles that central Government, Scottish Enterprise, Highlands and Islands Enterprise, the cultural organisations, local government, schools, the higher and further education sectors, the sector skills councils and industry bodies have, in relation to assisting the creative industries in Scotland to thrive."

We have managed to achieve nothing over the past nine years. Things are as bad as they were then.

Creative Scotland was supposed to sort that out. One of the reasons why it made sense for Scottish Screen and the Scottish Arts Council to come together when Creative Scotland was being developed was that it was made very clear that the enterprise responsibility should belong to Creative Scotland. However, money should come alongside that: the money did not come, but the responsibility did. Creative Scotland is therefore in an impossible position—it is trying to juggle too many responsibilities.

Scottish Enterprise is also in an impossible position, because it has been tasked with developing high-growth, high-value companies. As Arabella Page Croft spelled out, the challenge for most television and film production companies in Scotland is that they do not reach the threshold to benefit from that support. If it is not recognised that film is both cultural and industrial and needs to be looked at differently from how other cultural and industrial forms are looked at, there will be the same conversation in another nine years with a slightly different panel, some of whom are more grey and middle aged and who will say, "We still haven't achieved what we set out to do."

Bob Last: He is talking about you and me, Iain.

The Convener: I hate to pick on anyone after that reference.

John Archer (Hopscotch Films and Independent Producers Scotland): I am grey enough to have set up Scottish Screen, which was a coming together for the screen industries. We did not have the enterprise role, although we managed to work with Scottish Enterprise on a few projects to assist company growth in Scotland across television and film. That is not possible at the moment.

It is a great shame that Scottish Enterprise and Creative Scotland cannot work together. They have to spend a lot of time talking to each other. As Arabella Page Croft said, we have over the past 18 months had more than 26 meetings with them and the Government to try to sort the matter out. Last March, John Swinney instructed Scottish Enterprise to sort things out for the film industry, but nothing has changed.

The film sector review that came out a year ago highlighted all the problems that still exist. None of them has been addressed. IPS has tried to address them with Creative Scotland.

We would like to see the Scottish Government setting film policy—or screen policy, more broadly—so that suggestions are made that are informed by producers and the agencies. The Government should then say, as is done in Denmark, “This is what we expect of you over the next three years.” That could be debated and judged. Currently, Creative Scotland sets the policy and has to act on it.

The previous panel talked about whether Scottish Screen or something like it should be recreated. As Ken Hay pointed out, change takes a long time. We are not looking for bureaucratic change; we want leadership, as there is in Northern Ireland. Northern Ireland has said that it will have the strongest screen agency outside London and the strongest industry outside London within the next 10 years. Its plan and strategy are very clear. We need to see Scotland doing better.

Iain Smith (British Film Commission): I am a Glasgow boy. When I applied to the Scottish education department for support to go to film school in London I was sent a very nice letter, which I still have somewhere. It said that it was turning me down because film was not an academic subject. That was my introduction to Scottish political life. I then worked for 10 years in Scotland. I finally ran out of steam—I could not sustain it—and I moved south. However, my heart is here.

I find myself in a leadership position in the UK film industry: I chair the British Film Commission, the film skills council and the Film Industry Training Board. The British Film Commission’s

function is very specific: it is there to promote and sell team UK and the UK-wide opportunity. The stats that the British Film Institute will publish at the end of January will probably show that, as a result of inward investment and export of goods and services, film has been worth more than £1 billion in the past year. It is a failure that Scotland is not competing for its proper share of that £1 billion market.

That is not to speak of the other opportunity that sits alongside film, which is high-end TV drama. Chancellors of the Exchequer, in their wisdom, saw fit to create film tax relief in 2007 and to bring in TV tax relief in 2013. Since then, inward investment in television has topped £300 million and is likely to grow. In fact, growth potential on the high-end TV side of things is very high indeed. It is probably plateauing out on the film side, although many investments are being made in film: Pinewood Studios, for example, is doubling in size. Building is happening now and it is hoped that facilities will come on stream within a year. The demand is definitely there and the reason for that—the hook—is film tax relief and television tax relief. That is what brings to the UK the full attention of, in particular, the United States, but other countries as well.

What brings them back is our skills agenda, which has been built up over 20-30 years in the south-east. It has been carefully engendered by bringing the industry together to speak with one clear voice to the Government. That has made it clear to the Government that we are talking about not just the very important issue of creativity and culture, but the system within which they can grow and flourish, which is the commercial-industrial side.

Two businesses sit alongside each other: the film industry, which I think of as the indigenous British film industry, and the film production industry, which is completely separate, although it is connected. There is symbiosis between them, in that by engendering in the film production industry a strong share of the international market we can sustain our indigenous industries, build up our skills and protect our talents and, as a result, move forward. We have been very successful in that; God willing, it will continue. The Treasury and UK Trade and Investment, which we work with, are so far very pleased with what we are doing. We are contributing to Britain’s economic landscape.

Look, as I do, at the offer that the UK is making. Twenty years ago, Scotland was the biggest production cluster outside of the south-east of England. Now it is probably fourth or fifth. The clusters that are going up the rankings are south Wales and Bristol, Northern Ireland—which the committee has heard a lot about—and Manchester

and Leeds. Scotland is lagging badly behind, just on that economic basis.

The makers of "Game of Thrones" wanted to come to Scotland. They knew that Scotland was bigger and had lots of locations, but what stopped them was that there was no adequate shooting space for them to hedge. TV series like that cannot be made entirely on location; it just does not work. If there is no shooting space, forget it—they move. Richard Williams in Northern Ireland jumped up and said, "Look at us." Northern Ireland has Titanic Studios, and the rest is history. "Game of Thrones" is worth somewhere in the region of £35 million to £40 million per year to the Northern Ireland economy.

Another aspect is the link with tourism, which is very strong. I produced the "24" series, which we shot in London in the early part of last year. It was not set to come to London, but the facts that the tax credit existed and we had the skills to deliver what we promised brought it there, so \$62 million was spent within the space of nine months. That work could easily have come to Scotland, but the lack of a shooting space and the lack of proper infrastructure—technical infrastructure and skills infrastructure—has meant that people are shying away.

The Convener: We will come on to the two issues of skills and a studio, but let us stick on public sector support for the moment.

Richard Lyle: Again, I will quote from an email from a constituent:

"The UK has quite an internationally competitive TAX incentive but only 1% of that incentive is used for films shot in Scotland. Not very good for a country that has 8.4% of the population and 32% of the land mass."

We have been talking about tourism bodies. The email says:

"Visit Scotland gave the Walt Disney corporation £7 Million as a co-promotion on their animated film 'Brave',

which the sender says will benefit Scotland by £140 million.

We spoke about "Mrs Brown's Boys" earlier. Everyone loved "Braveheart", but it was shot in Ireland, basically because of the Irish tax incentives and because Scotland did not have a studio, as I said. I enjoyed Arabella Page Croft's opening statement, but do the witnesses agree that

"The Scottish film industry has been severely let down by the agencies that are meant to support it"?

Arabella Page Croft: Because we make only six films a year, we are far behind countries such as Denmark, Sweden and Norway—that also applies to the funds that are available in Wales and Northern Ireland. That in itself shows that we have been badly let down by the agencies.

We need Government support, so I have to point the finger back and ask, "Can we have more resources?" We can sort out the skills. If we can have a studio, we can create and we can build, but we need resources. Resources create production, production creates hits and the cycle goes on. That is what we are looking for.

Iain Smith: To return to the British Film Commission, there is no doubt that, without strategic intervention from Westminster, we could not have achieved what we have achieved. Tax credits are the most important thing, but there are also initiatives such as the skills investment fund, levies and the private and public relationships between industry and the Government. In the industry, we perfectly understand the need for austerity—increasingly so—but some carefully placed strategic intervention can make all the difference when it comes to private investment.

I was on the joint committee that moved Scottish Screen towards Creative Scotland. I chose to step away from that because I realised that what was intended would not be fit for purpose.

I return to the difficult point that, in film making and television, there is a battleground between art and money. As a producer, I deal with that every day; I am always looking at those two things competing with each other. The problem is that, although Creative Scotland is doing its best—by gum, it does its best—it is not systemically set up to deal with the configuration of the business.

Bob Last: I reiterate what Iain Smith has said. A lot of blame has been apportioned to the agencies, but they have been set up to fail. In the current landscape, it is not possible for them to succeed—certainly, not to succeed efficiently.

I agree that we need to understand austerity. There is no wave of public support for handing out a lot more taxpayers' money to film makers. The issue is not necessarily how much money we spend but how we spend it. Structurally, there is a role for the Government to bring about a big gain in unlocking the overarching structure.

There is a further element. We have spoken about art and money. That is what the producer deals with every day: every conversation and every email is about managing art versus money. However, that is a dynamic and exciting process. It is not the enemy of great film; it is what film is about.

11:30

Another overarching issue that needs to be at least recognised is that the current devolved settlement is quite confused as regards film. For example, my relationship with the BFI in London is more important to me than my relationship with

Creative Scotland, because the BFI has a national remit. I love the BFI; it shovels money at me and I am very grateful for it. However, it makes the landscape here more complex for anyone to work with an effective focus in.

The same thing applies to broadcasting. People have talked about smaller nations that have a vibrant local film industry and, in those examples, there is always a national broadcaster that is deeply engaged and charged with engaging with that film industry. The situation is a little different here. Elements of the current devolved settlement further complicate having a really effective focus.

For example, Ewan Angus on the previous panel spoke about “Sunset Song”, which has been the beneficiary of a substantial commitment from BBC Scotland and which I have talked to him about over a decade. However, from a regulatory point of view, BBC Scotland does not have a structure that allows it to make an equity investment in a film. It cannot do that even if it wants to, but BBC Films can do that. That is another example of things that the Government might want to look at in the global sense that would enable the agencies to be more effective.

Lewis Macdonald: The more I hear, the more concerning some of the evidence sounds. Yesterday evening, Annie Griffin said on “Scotland Tonight” that she has been making films in Scotland since 1997 and this is the worst things have been. Iain Smith just said that he stepped away from the process of creating Creative Scotland because it was not fit for purpose, and Arabella Page Croft said that Scottish Enterprise is not fit for purpose. That raises some serious questions.

Arabella Page Croft's evidence goes a step beyond what we heard from the first panel, when people from the TV sector said that it is not clear who is in charge or who is giving a lead when it comes to Scottish Enterprise and Creative Scotland. Her evidence is that the criteria that they apply are contradictory and that people cannot conform to both and be successful. Is the situation as bad as that?

Ken Hay is right that we do not need bureaucratic solutions, but is there a way forward, given the current bureaucratic structures? John Archer mentioned John Swinney—is it for the economy minister or the culture minister to give a political lead? As we are talking about leadership, where will that leadership come from?

John Archer: To be fair, we met both ministers together. I think that was the first time that that had been possible and it felt like a major breakthrough for us, because they were talking to each other about this culture and commerce industry.

If we look at Creative Scotland and the National Theatre of Scotland, we would like to see something for film like the National Theatre. We do not need a whole big new structure. We need something that can drive forward the development of the film industry in Scotland and which has a remit for seeing that Scotland is a successful place to come and make films in and is growing indigenous production and film culture.

There is nothing better than a good film such as “Sunshine on Leith” to take Scottish culture around the world. That is far easier than moving a theatre company around the world. It strikes a chord, it makes people want to come here and it is a good expression of Scottish culture. Such a body is what is missing, in our view.

Iain Smith: In the south-east, we have managed to bring together the almost unholy alliance of UKTI on one side and the Department for Culture, Media and Sport on the other. We deal with the Government through those two very separate departments in a conjoined way, because the commonality of interests is served by working with the other side, if you see what I mean. Without the other side, UKTI does not function, and without UKTI, the DCMS cannot function in the sector.

UKTI is looking at new areas of penetration—particularly China. People in China are fascinated by our ability to tell stories. If they lack anything, they lack content and the ability to create it. We have an opportunity to symbiotically deal with the huge amounts of cash that are available in China by being exporters of not just goods and services but intellectual property.

Lewis Macdonald: If UKTI and the DCMS work effectively as a partnership, why are John Swinney and Fiona Hyslop not talking? Why is there not an effective partnership in Scotland?

Iain Smith: A few years ago, I raised the issue of a Scottish studio, because I could see that, with the tax reliefs coming in for TV, there was an opportunity for television that did not quite exist on the film side. I tried to put the Pinewood Studios group together with Scottish Enterprise to facilitate that. The problem is that, although there is a lot of good will in Scottish Enterprise, it seems to be set up on the basis of property development and it thinks of assets as permanencies rather than project-based opportunities.

Scottish Enterprise has perhaps never before encountered an industry with the inherent nature of the film and television business. It does not have the specialised thinking in the building to be able to understand, quantify and measure that. Something specialised is needed. On Monday, I talked to senior civil servants in UKTI and explained some of the particularities of how the

business works. At the end of the day, film and television are to a large extent about relationships of trust, so they are particular. On that basis, large sums of money and large opportunities for talent can flow.

John Archer: What has been missing in the meetings that we have had with John Swinney and Fiona Hyslop is the person who can take things forward. That is not only up to IPS. We have discussed a number of things with the ministers, such as whether Scotland could apply for European regional development funding for production, as has happened in Northern Ireland. We do not know what has happened to that, because it was left to Creative Scotland to pursue with various parts of Government.

We discussed the possibility, which might have seemed more different a year ago than now, of using some VAT revenue from the sale of cinema tickets to create a film fund. Even if some of the VAT was left with the Government, we could quite easily build up a fund of £20 million a year, which would take us halfway to the Danish position. We also had an idea from John Swinney about a financial transactions mechanism, which might work and which we have been investigating. I feel that we are lacking imaginative leadership and vision.

Ken Hay: The challenge comes from the instructions that the public bodies have been given, which simply conflict. The bodies cannot reconcile the different instructions. Scottish Enterprise is geared entirely to a particular kind of economic development—I understand that it has resource limitations and that it inevitably has to prioritise. Likewise, Creative Scotland is clear that, on the whole, it is an arts funder and funds culture. Those two things cannot be reconciled unless an alternative and more creative approach is taken. However, that has not been achieved, not just in the past four and a half years of Creative Scotland but over a number of years before that—it is 30 years, according to Iain Smith.

Bob Last: I have a comment on leadership. I sat on a thing called the creative industries framework agreement implementation group, which was part of the process of creating Creative Scotland. I think that it is a matter of public record that I refused to sign up to its final report because various partners had excised the word “leadership” from it.

I was the only independent on the group; everyone else was representing public bodies. The goal was to create a landscape in which Creative Scotland could be effective. I refused to sign up to the report and it was delayed, because I think that there was political recognition that removing the word “leadership” would not reflect well on the group.

The eventual compromise was proposed to me at the weekend; I got a call on a Sunday and was asked, “Would you sign up to Creative Scotland having the responsibility to co-ordinate the leadership?” I was told that that was as good as it was going to get. I took the view—mistakenly—that I would sign up rather than bring the process to an embarrassing public close.

Everyone could see that the problem that everyone here is talking about from different perspectives was coming. In that sense, you as politicians have an opportunity to make a huge difference, which is not about more money or setting up new organisations but just about giving the public sector agencies sensible instructions.

Lewis Macdonald: Who excised the word “leadership”? Was that done by the Government or by industry people on the group?

Bob Last: It certainly was not done by industry people on the group.

The Convener: Arabella Page Croft looks as if she wants to say something.

Arabella Page Croft: I want to comment on the leadership question. I was interested in the evidence given by Dr Inge Sørensen, who talked about filmforlig, the Danish film law, which we need to examine for leadership. The industry negotiated with politicians to come up with the Danish film law, which is invested in through the agencies.

I understand that the driving global growth policy in Northern Ireland was a Government-led initiative. Since we are all talking about Northern Ireland so much, we must look at how it achieved what it did and at the leadership that it had.

Chic Brodie: We have a clash in Parliament between enterprise and creativity. Where should the emphasis lie? That might help with the leadership question.

That was a general question. My second question relates to what Skills Development Scotland said about skills. Skills Development Scotland is about to produce a publication on skills in the industry. Have you been involved in any of the discussions on that, or do you know anyone who has been involved in that document’s preparation?

Bob Last: I will answer the first part of the question. As Iain Smith said, the commercial, the industrial and the cultural are distinct but symbiotic elements, and there is no fixed point or fixed solution. What is required at the Government level to energise the sector and compete globally is ongoing management of that balance, which is exactly what we as producers do in the industry.

That approach needs to be modelled, and it is important to understand that we will not arrive at a fixed solution. The structure and the system need to be in place so that we can look at each proposition and constantly rebalance. Another thing to be aware of is that you are operating in a globally competitive market of Governments that really want to make this work, so you need to be fleet of foot.

Chic Brodie: I understand that and thank you for your answer, but we are talking about leadership and making decisions. Somebody has to make a decision, and I am asking what your input is on where you think the predominance lies. Is it in enterprise or in culture?

Bob Last: Scottish Screen was set up to solve that problem, because it was recognised that the answer lies in effectively managing the two aspects. The answer—for me, anyway—cannot lie in a fixed prioritising of one or the other, because neither will work effectively without the other.

11:45

Ken Hay: I reiterate that it is not an either/or scenario; it is a case of having both and how they are balanced. Whoever takes the decision needs to be sensitive to both sides of the equation not just for individual projects but across the portfolio of projects that come to them. Scottish Screen was set up to recognise that that had historically been work that Scottish Enterprise, the Scottish Arts Council and the other film-funding bodies, such as the Scottish Film Production Fund, could not do with their existing structures, and a different body was needed that could take the broad view.

I had an interview with an SDS consultant two years ago; that was the last communication that I had with SDS.

I will throw a question back into the pool. Given that Creative Scotland is responsible for leading co-ordination or co-ordinating leadership—I do not remember Bob Last's exact phrase—among the creative industries, why is Skills Development Scotland producing a creative industries strategy in isolation from any strategy that Creative Scotland, the Scottish Further and Higher Education Funding Council, Scottish Enterprise or Highlands and Islands Enterprise might produce? Despite everyone's grand plan to work together, the organisations all seem to be working in beautiful isolation.

Iain Smith: In the UK model, the BFI is the lead organisation in the film industry—and increasingly in the television industry—for relating to the Government. There must be either a specialised department in Creative Scotland that covers the two sides or a separate agency.

There is no doubt that Scottish Screen, for all its issues and problems, was on the right path—if anything, it needed to go further than what was intended. In London, we had the UK Film Council, which existed for 10 years and acted as a dedicated crossover between the two hemispheres of the business.

Ken Hay is absolutely right, but the Government cannot in and of itself simply give leadership without being properly stimulated and informed from the front end.

Johann Lamont: I am struck by the number of meetings. If you have to hold 26 meetings to sort something, you are never going to sort it, because you are holding meetings for their own sake. I cannot imagine what you can possibly have discussed at 26 meetings if you are still not able to work out that one agency is saying one thing while another is saying something contradictory.

It sounds as if there is complete paralysis, and organisations are doing their own thing. The quangos are agents of Government, so it is the Government's responsibility to define their remit; there is nowhere to hide in that respect.

The danger is that it all looks so complicated that nothing happens. What small things could be done immediately so that we do not have to wait for ever for a fantastic strategy and for things to happen? What should happen with the remit? What should happen with the studio? Where should it go, and when?

Arabella Page Croft spoke eloquently about some of the challenges. Does the rest of the panel agree that we need a task force, and not a blah-blah-blah implementation group that meets for seven years and decides that it does not like the word "leadership"? What work can start now, with a remit that would drive forward the things that Government ministers have indicated that they want to happen?

John Archer: The priority is a film task force. I would like Scottish Enterprise to be instructed to give Creative Scotland £1 million a year for the film industry, and then for Creative Scotland—before anything else is there—to spend that on film production in Scotland, which could involve supporting businesses and growing the sector. We need something of that size.

We do not need the organisations to keep talking to each other—we need one person to be talking to us. We need producers to be involved in how the money is allocated and spent because, without that input, the money will be irrelevant.

As many people have said before, Glasgow is a very suitable place for the film studio; next to it, we could have a national film school and a place where producers could coalesce and thrive

together. It would probably be better to have it in a city centre rather than in the wilds where it would be next to some great locations but away from the facilities companies and the places where people actually live and work.

Johann Lamont: Do you have any idea why such a small decision has not been taken?

John Archer: I think that people are scared. In addition, once property companies start getting involved, they look at building houses alongside the studio and hedging their bets in that way, so the project becomes much bigger than it needs to be. A very simple shed in Pacific Quay, for example, would do wonders for Scotland.

The Convener: Who should build it? Should it be the public sector or the private sector, or does it not matter?

John Archer: I think that Scottish Enterprise's plan was that, if the private sector was not going to build it, the public sector could.

Bob Last: I will abstain on the studio point; I wish I had never heard the term. We have to get our house in order on the overarching management of intervention and aspiration, and we should not even think about building a studio until we have sorted that out. If we were to build a studio in the muddled situation that we have now, it would—at best—limp along and be ineffectively targeted. We will not be in a state to do it properly unless we sort out the overarching issue.

Johann Lamont: Am I right to take from what has been said that sorting out the overarching issue is relatively simple? It is necessary to change the organisations' remits and to tell them to work together under the Government's direction and instruction.

Bob Last: That would be my opinion but, having sat on the blah-blah-blah committee, I am aware that although those things seem very simple to us, when they get over to you folks they seem to get less simple. Nevertheless, sorting it out should be simple.

Although I work with many colleagues in IPS, there is much about IPS that I am not on side with in terms of the solutions that it asks for in the short term. However, I think that we share this view about the overarching situation. If you are looking for a specific simple win in the short term, an assignment of funds from Scottish Enterprise to a beefed-up department within Creative Scotland, so that that department handles both the enterprise and the cultural elements, would probably be effective and could, in theory, be done much more quickly.

I have many conversations with Scottish Enterprise and I suspect that there is a lot of good will in the organisation, but the fact is that its

parameters do not permit it to do what the sector needs. As Arabella Page Croft said right at the beginning, what a successful film or TV company—let alone a struggling or an aspiring one—looks like does not fit Scottish Enterprise's model.

I am still functioning because I know how to downsize very quickly, which is a lesson that I learned, bitterly, early on—it cost me a house, because I did not downsize quickly enough between big projects. A couple of months after that, I brought £10 million into the Scottish economy. Of course, it may be a reflection of my own incompetence that things are so up and down, but many people have a similar experience. Scottish Enterprise is not set up to deal with that kind of model. That is fine, but it means that it should give the money to a beefed-up Creative Scotland. That would be a simple short-term win that might improve the situation.

John Archer: I get the impression that the infighting that must happen behind the scenes at Scottish Enterprise would perhaps be worthy of a series or two of "Borgen".

When we talk about a film studio, we also need to talk about the funding that must go with it. There is no point just having a studio; there also need to be incentives to attract productions, so the studio is part of a bigger plan.

Johann Lamont: Does part of the problem relate to the point that Chic Brodie made about the balance between creativity and enterprise? While the artist in a garret has to be supported, some art can never be commercial, and good societies support people to do really creative things. However, your problem is that people imagine that the film industry requires subsidy, when in fact you are talking about something that is hugely commercial.

Scotland is going down in the ratings because, in a commercial environment, other people are coming in and competing for the work. If Scottish Enterprise does not define enterprise properly in terms of the creative industries, it is clear that something is wrong with its remit rather than with the commercial capacities of the screen industry.

John Archer: The success of Denmark comes from a commitment over more than 20 years to training, to funding people and to growing business and getting their product around the world. The things that you do that are most cultural sometimes turn out to be good industrial decisions. The biggest thing that we have made is "The Story of Film: An Odyssey", which took us six years to make and takes 15 hours to watch. That was a bit of a hobby project. We got a little bit of money from Creative Scotland and a lot of money from the BFI. Essentially, three of us made it in

Scotland and it has gone to 30 countries around the world and has returned all its money to the BFI. That was very much a cultural project, but it was very worth while.

Ken Hay: As we look at establishing some kind of next steps task force, we need to put it out there that the industry is not just about production; it is about many different facets, including exhibition, distribution, the archive and festivals. It is also about education, not just in academic or skills terms but in terms of film education in schools and the wider community. We need to ensure that all of those are wrapped up in the discussion because they all have an interlinked role to play in the development of a sustainable film industry.

We also need to seek clarity on the BFI's role in Scotland. It is true to say that the BFI has the lead responsibility at a UK level and develops strategies for talent development, film education, audience development and so on. We are partnering up on developing a talent development programme, which is looking to find the next generation of first-time film directors. On the one hand, that sounds great, but it will feed into the BFI system, not the Scottish system. This is about how far we go in the best interests of Scotland. If we are to spend money and time investing in the next generation of talent, presumably we want that talent to stay for as long as possible in this country, so that people do not face the situation that Iain Smith faced 30 years ago.

Iain Smith: You asked about the reluctance on the part of public agencies and the Government to get involved. To speak candidly, I think that film makers are often viewed as being self-indulgent. They want to do their own thing and put it out there, and they think it is going to be brilliant. That is not entirely true about film makers, of course, but it reveals what I think is the major problem here, which is the lack of a system.

If we think about it, we have the creative and the cultural—the art side of things. What is missing are two other sides. The first is the commercial aspect—the building and exploitation of intellectual property; in other words, making and selling content. That is a very important core business. The third side is the industrial aspect, which involves skills, building up infrastructure and being fit for purpose to exploit the growing opportunities in the world. The demand for entertainment, and particularly for content in the English language, is growing massively. It is the one curve that keeps on rising around the world. I see that as the reason why a film studio—not a big shiny aluminium thing with glass windows but something that is able to look after significant production—will only help the Scottish system to build itself up.

Some people see a film studio as a threat to indigenous film making. Strangely enough, the

statistics in the UK as a whole show that, with the influx of inward investment films, the number of British films that are being made has increased. There is some sort of stimulant effect. I think that it has something to do with people earning a living and being able to put the kids through school and feed themselves. It means that companies are more prepared to take a risk: they are making a bit of money on the big film that came in so they will help the local films. All over the world, I have seen such double economies running, with a country making big money on the stuff that is coming in and then feeding its indigenous industries. A strategic task force needs to be set up to look at the system. As Ken Hay says, there is a lot of crossover that is not being faced up to at the moment.

The Convener: Joan McAlpine has a question. Is it on the same issue?

Joan McAlpine: It is about the BFI.

Gordon MacDonald: I was going to ask about that, too.

The Convener: Joan McAlpine will go first, followed by Gordon MacDonald.

Joan McAlpine: You have all been very complimentary about the BFI; obviously, Iain Smith works for the BFI, but Bob Last was particularly complimentary. The BFI has a UK-wide remit. If it is such a prestigious organisation and is performing so well, why is it not working for Scotland?

Bob Last: The BFI is attempting to work for Scotland. I access it as a Scottish producer. I am here as an independent producer, but I am also chairman of the Centre for the Moving Image, although I am not wearing that hat today because I would have to be more measured in what I say.

As Ken Hay said, the CMI is a partner in the talent development initiative, which is intended to focus on talent in Scotland. It is attempting to do that, but what is complex about that—and complex for Creative Scotland—is that there is this other organisation that apparently has an overlapping remit. When two quangos have overlapping remits, sadly what you get is blah, blah, blah—that just seems to be the nature of things. Understandably, that creates some noise in the system.

In addition, the BFI is London-centric. London is a bit like Hollywood. I love LA—when I go there, I forget that there is anywhere else in the world. I slip into that Hollywood thing. I live in Dunbar, and when I am in London, I tell people that Dunbar is on a bit of the Northern line that they have never been to. We are talking about a cultural reality that needs active balancing. Again, there is slight confusion in the current devolved settlement.

12:00

Iain Smith: As I hope you can imagine, as a Scot who works in the south-east and in London, I very often have to hold my tongue if someone is disinclined towards Scotland. That is not a conspiracy; it is partly to do with a respect for the fact that the Scots need to be themselves. That is all fine and dandy, but in the film and television industry, no one can be an island. Power is gained through networking.

With the BFI and other agencies such as the BFC, there is a sense that Leeds is chasing them to do one thing and Wales is chasing them to do another, but there is a silence, I would say, coming from Scotland. That is anecdotal, but I think that it could probably be measured. On its journey to whatever form of self-determination it is to have, Scotland should be seizing the opportunity that is presented by those agencies. No one will resist that. They are there to be attacked. As Bob Last said, London is just like Hollywood. When I went out to Hollywood, I was completely insignificant, but I went in and I attacked as best I could and I made a career out of it. That is what has to happen. Even though the BFI should have much more interplay with Scotland, there is a strange silence between Scotland and the rest of the UK, and it is not benefiting Scotland.

Ken Hay: I was not aware that I was being hugely complimentary about the BFI, but at least it is doing something.

The challenge for the BFI, as with the BBC and Channel 4, is that they are UK institutions that are based in London and take a London-centric view of the universe. The committee discussed broadcast commissioning with the first panel. Just as, on the TV side, it is necessary to have relationships on the ground in London with the commissioning editors, if someone wants to make things and to get programmes and projects off the ground they need to have relationships on the ground in London with all the key decision makers and policy makers. For companies that are based in Edinburgh or Glasgow, there is a relatively okay train and plane service, but it is much more of a nightmare for companies that are based anywhere else in Scotland. Tern Television has managed to survive despite having an office based in Aberdeen. Until the decision making and the money that goes with it are more centred in Scotland, this conversation will happen over and over again, on the broadcast side and on the film side.

On what we can do, as the debate around the Smith commission report continues there is an opportunity to look at how proper elements of BBC, Channel 4 and BFI commissioning budgets—production budgets—can be devolved to

Scotland, along with appropriate levels of commissioning power.

John Archer: I think that it is reasonable to ask how much money the BFI invests in Scotland. We partner with the CMI on the talent development initiative. Last year, when we ran that initiative with another company, we produced a couple of films, one of which made it to the Sundance festival and one of which is in the final for this year's British Academy of Film and Television Arts awards. We are very proud of that.

The BFI is another place for me to go to as a producer. In fact, I have succeeded in getting more finance for production from the BFI than I have from Creative Scotland.

Variety can sometimes play well, but if the Government is taking an interest in film production and seeing what happens, it is reasonable to expect the BFI to be accountable for how much it spends in Scotland and for that to be public knowledge.

Arabella Page Croft: Before we move on, I want to say just one more thing about a simple solution that could be put in place until decision making is further devolved. Gillian Berrie and I have asked Creative Scotland if we can have an office in London. We have to go to London to find more money and bring it back to Scotland. There is only so much of the funds that we have talked about to go around. A hub that we could use to brand ourselves would help us reach the people in London until the decision making is brought back home.

Gordon MacDonald: My question is about the studios. We have heard from this panel and the previous panel that we require a studio. What sort of size should it be? The example that we have been given is the Titanic Studios in Northern Ireland, but I understand that there is a 140,000 square foot studio called Wardpark Studios in my home town of Cumbernauld. Is that what we want? Is that what we need to replicate? Do we need something smaller or larger than that? How were the Wardpark Studios funded? Where did that funding come from? Is the studio dedicated to one production company, or can it be shared with other producers?

Iain Smith: I have visited the Cumbernauld facility and it is excellent. In a spiritual sense, it is exactly the kind of thing that we should be considering, rather than necessarily spending a lot of money on building something from the ground up. However, there are two problems. One is that it is not big enough. We have to plan for success and not for failure, so any studio has to have expansion potential in terms of the land area that can be built on. The second problem is that, once something like "Outlander" comes in, the studio

ceases to exist to anyone else. That is good news because the economy is benefiting but bad news for the facility. A nation like Scotland has to have more space than that.

The problem with warehouses and other such facilities is that very few of them are sufficient for film and television. They need to be at least 35 feet in height and the ceiling needs to be an engineered gantry. It needs to have associated spaces such as offices, workshops and parking—all that kind of stuff. Above all, it must be able to expand. We have to believe in success. If we believe in success, it makes success infinitesimally more possible.

The industry has to be energised and supported, and industry practitioners such as the BFI need to go beyond London and out into the world. London is not the be all and end all. It is not having the easiest of times at the moment; it is very busy but the business is extremely perilous, even there. I see models in Scotland and the larger UK, but the same basic issues apply. It is important that practitioners are encouraged to do what they do unassisted to grow the business. The industry cannot simply rely on public support.

Bob Last: I want to reiterate something that Iain Smith touched on. Scotland the brand is incredibly valuable internationally. Although we have talked about London-centric infrastructures and quangos, Scottish producers are welcome anywhere in the world. It is important that we do not focus too much on the London issue.

On the issue of a studio, I was recently in Montreal doing some preparatory work for a feature that we hope to shoot there next winter. I looked at studio space there and the studios are much bigger. I am not sure about the total square footage of the Montreal studios, but there are three or four studios. That is what we are up against. The “X-Men” films are going back to the biggest studio there, for example.

There is an elephant in the room here, and so I will stick my head above the parapet to talk about Film City Glasgow, which has played an interesting and valuable role but it can in no way deliver what Iain Smith is talking about. What I found very interesting on my recent visit to Montreal is that there are also a couple of smaller studios built in improvised spaces that are incredibly busy. I could not use them because they did not have the height, but with these other huge productions coming into the massive facilities I saw exactly what Iain Smith was talking about. If there were to be another studio in Scotland, that would not necessarily mean that initiatives such as Film City or the facility in Cumbernauld would suffer. There might be difficult transitional periods, but such a move might well energise all of the facilities.

Arabella Page Croft: On the issue of the studio, I should say—representing IPS—that we believe that it should be city based. Personally, I would prefer it to be in Glasgow, given the accessible infrastructure and the like, but there should be a focus on the indigenous with some sort of hub around the studio. We might be talking about places with very low rents, but we certainly need to get our producers there to work together and share ideas. A lot of work could be generated that way, and I am certainly a big advocate of the indigenous production side. In any case, please make a decision soon.

The Convener: All right. Thank you.

Dennis Robertson: First of all, I want to explore with Ken Hay the issue of the skills sector. With regard to film production, for example, we probably need to examine whether we have the infrastructure in the skills sector.

Given the London-centric aspect that we have been discussing, is it the case that some of the people in Scotland who have the skills move to London because that is where the work is? Are we doing enough to link to our college and university sector to produce the skills that we actually need—the sound engineers, the lighting technicians and everyone else who helps build up the infrastructure—and ensure that the industry survives into the future?

In its previous inquiry on underemployment, the committee heard from people who said that things in that respect were a bit piecemeal. They had a job for a couple of months; that finished; and another opportunity might come along only later. Are we doing enough? Do we have the infrastructure for the skills sector in Scotland, and are we linking it with our education sector to ensure that we have the right sorts of skills?

Ken Hay: That is a very big—and a very good—question. The challenge is that there is a lot going on, and colleges and universities across the country are putting on many courses covering all aspects of film, television, video games and the broader creative industries.

Nine years ago, Screen Academy Scotland was set up to be Scotland’s national film school, but it was set up under funding arrangements that cover its existing programmes of activity. As a result, it did not receive a huge amount more money at a headline level to deliver the next generation of writers, directors and producers into the film and TV industry. It has been hamstrung by having to operate within a very standard higher education funding system, unlike the National Film and Television School, which has an international status as one of the best places for learning one’s creative or technical craft. The NFTS is funded directly by DCMS rather than the Department for

Education, and until Scotland has a national film school that is properly funded in that way it will not achieve what it wants to achieve.

Yes, there are lots of people coming out with some of the skills and talents, but they are not necessarily coming out with the work readiness or the experience of making a film. They will know how to make the college or university project, and they will be assessed on that basis, but only a relatively small number will be ready to move directly into an industry role.

Over the years, there have been all kinds of interventions—most notably the new entrants training scheme, which ran for 30 years as a standalone scheme and then as part of Scottish Screen for however long that was around for. The scheme took only a small number of people—eight a year—and got them to the right level of experience. They might already have had some kind of qualification, but the scheme gave them practical work experience on live film and TV productions. As far as I am aware, that sort of activity does not exist at the moment.

Hopscotch Films, CMI and DigiCult are working on the Scottish film talent network, which was referenced earlier. It very much looks at how we deal with a relatively small number of producers, writers and directors, provide them with a stepping-stone into the industry and give them practical experience. We have just closed the call for the short film initiative, which is part of that. Five or six short films will be produced over the next six months on the back of it.

12:15

Dennis Robertson: Are transferable skills needed so that people can work in film, television or theatre?

Ken Hay: During the discussion with the previous panel, it was mentioned that a lot of people work across those different areas. Actors, technicians, writers and directors work across them. Obviously, “Sunshine on Leith” is the prime example of a project that had all kinds of iterations over many years. It originated as a music production and became a stage play before it was converted really successfully into a feature film. All the people who were involved at different points will inevitably have had different roles.

Iain Smith: Obviously, Creative Skillset looks after the screen academies and ensures that they are properly resourced. In the past few years, we have found that the most interesting area has been looking at the on-the-ground provision of skills and training, which is informed by the industry. People will come to the film skills council and say to us that they are short of camera grips or that they need more people in lighting, for

example. The provision is therefore very targeted to need, and the need can change year on year, depending on what is happening.

The key is to be sensitised to the industry’s needs. It is all very well saying, “We’ve trained somebody to be a film maker.” That is fine and important, but it is much more about specific jobs. That is where job creation will come.

Another aspect is the business of upskilling people. For instance, many people who have worked in television in the past now have to learn how to work in the new paradigm, which is very different. It is a matter of reskilling people who have been working to hone their abilities to compete in a digital world. There are a lot of front-line issues, but without a proper skills agenda the total business will unfortunately be undermined. The skills agenda in Scotland is perhaps not as energetic as it should be.

Arabella Page Croft: I would like to speak on behalf of young emerging producers. As far as I understand, the short film schemes have budgets of £10,000. The cost of a low-budget feature film can be a massive jump—that can be up to £1 million. There are no nursery slopes, and they are what we are really missing.

I do not want to keep harking back, but at Scottish Screen we had the tartan shorts strand, the new found land scheme, half-hour films and our first feature films. Those were all schemes in which people such as me who are now producing and many of the skilled crews that we now have cut their teeth. We cannot expect film makers to go from a £10,000 short film to suddenly having the wherewithal and skills to produce and run such productions.

I advocate a middle ground. IPS really wants a joined-up structure so that people can go from a national film school all the way through to features and returnable drama. We have to get that in place. I think that everybody knows that that is what we are looking for, and we can fix that.

Dennis Robertson: I am still curious about who should take the lead on ensuring that the skills set—whether we are talking about technical skills or skills for actors—exists for the future for the sustainable production of films. That goes back to the leadership question. Iain Smith said that things are needs led in some respects, but it will take a person two or three years to go through university and they may be needed for one thing for only a year. Are we dovetailing? Are we really engaging enough to ensure that we have the right skills market? Are we ensuring that we do not export all those people with experience in the sector down to London or further afield?

Iain Smith: Creative Skillset is the sector skills council with responsibility for film and, separately,

for television. It has the UK responsibility, within which Scotland is a part. Scotland is represented on the film skills council. If there is any dysfunctionality, that should be taken up with Creative Skillset.

Dennis Robertson: Should we ask Skills Development Scotland to take a role? *[Interruption.]* Chic Brodie tells me that it is producing a report in the spring.

Iain Smith: I imagine that the answer to that is yes. The area certainly needs to be looked at as part of the holistic total.

On exporting, we always have to be careful, especially in these digital times, about saying that something is ours and belongs to us. The power in the industry now comes from networking and sharing. For instance, a significant number of the crew came down from Scotland to work on the series “24”. They all returned to Glasgow, but they got that experience and applied technical knowledge that they perhaps would not have got if they had remained in Scotland. There is always movement of people.

An interesting phenomenon in Northern Ireland was that, as soon as “Game of Thrones” became a reality, a lot of people who had had to leave Northern Ireland to make a living suddenly returned. That would absolutely apply in Scotland if there was more stabilising and systemising of the potential, which is phenomenal. The talent here is undoubtedly world class, but at the moment it is not being properly exploited—I use that word deliberately rather than “indulged” or “protected”; it has to be exploited.

We have to look at the industry as an opportunity that is about not just the voice of Scotland and the Scottish people but making money, sustaining lives and livelihoods, and having a dimensional view of our country that includes a self-image. All those things are joined up. I am on the producing side and the economic side, but I have always argued that the inward investment initiatives that are, as I said, worth £1 billion a year are worthless unless they sustain and engender the indigenous industry. That symbiosis is the key, all the way through the system.

Patrick Harvie: After two long evidence sessions, there is a danger that I will go over familiar ground, but I want to pick up on one point that has not really been expanded on. It is about the ranking of the various factors. One is skills, with the issues of training, retaining and attracting people. Another is investment, whether through Creative Scotland or another agency. A third is infrastructure, on which we have heard that it is distractingly easy to talk about a studio. Another,

which we have kept coming back to, is clarity of leadership.

One issue, which has today been mentioned only by Iain Smith, is that of tax. In the foreseeable future, it is unlikely that that policy instrument will move from the UK Government to the Scottish Government, but there is probably a role for it as an alternative way of putting public money into the industry. However, the system has been abused, and at times some schemes have been turned into tax avoidance scams. What is the future for that kind of instrument, and how does it rank alongside the other factors that I mentioned? If we do not get clarity of leadership, will anything else from either Government be of value? Where does that type of instrument come in the ranking?

Iain Smith: I had better answer that, as you pointed me out.

The tax credit system is significant. It all started 20 years ago or thereabouts, when there was a move from subsidising the film industry to an attitude of incentivising. The tax credit system is deliberately designed to incentivise inward investment into the country and, in that sense, it is proving to be effective. As I said, the Treasury is delighted with that because the multiplier benefit is one to 12: for every £1 of public money, there is £12 of benefit to gross domestic product.

Patrick Harvie: Her Majesty’s Revenue and Customs is not delighted with every aspect of it.

Iain Smith: No—there is always investigation going on and there is fitting, changing and adjusting. That happens week in, week out.

Patrick Harvie: Is it possible for such schemes to have a future that is not open to that kind of abuse and exploitation?

Iain Smith: You are referring to the abuse that Gordon Brown shut down, which was a completely separate system. Tax credit is a system of rewarding production for coming into the country. It puts Britain on a level playing field internationally. We were a very expensive economy and our costs were very high compared with those of middle Europe or, for that matter, Canada. We have managed to change that by incentivising.

If the tax credit disappeared, the British film industry would completely collapse—be in no doubt of that. Successive Governments have analysed it and agreed on that. In Scotland, rather like in Northern Ireland, the thing to look at—I am speaking from the economic side of things—is the effectiveness of a sweetener to encourage productions. If a production is coming to Northern Ireland, Wales or Scotland, it has to carry with it people who need to be put up in hotels and all that kind of stuff. If there is some kind of sweetener, as

there was in Northern Ireland—even if it is a relatively small sum of money—it can be the tipping point that brings into play the larger sums of money. It is a very—

Patrick Harvie: But not if Scotland does not have the hunger, like you said, the infrastructure or the skills. It will not be enough on its own. Where does it sit on the list of priorities in terms of the other things that we are not getting right?

Iain Smith: Way back when, the Irish minister for culture—I cannot remember his name—stood up and announced to the world that section 481 was coming in. That was not a huge pot of money, but everyone around the world saw that the Republic of Ireland wanted film to come there. The feeling at the moment—through no one particular person's fault—is that Scotland is slightly closed for business. Wales is hunting for work; it is incredibly efficient at harvesting the opportunities. For whatever reason, Scotland is not doing that on all the levels that it has to do it.

There is a big need for co-ordination and, dare I say, leadership. Things need to be brought together to maximise the opportunity on both the creative-cultural side and the commercial-economic side.

Patrick Harvie: Does anybody else want to comment?

Bob Last: You are right: there are some current HMRC investigations relating to enterprise investment schemes—EIS—which is not the tax credit that Iain Smith was talking about. I certainly agree with Iain that the tax credit is an absolute baseline: if you get rid of it, you have no industry in the UK or here. We have a global market and it is not a coincidence that I was in Montreal, which has different tax credits. There may be other reasons why I shoot there, but the market is very competitive and we must understand that. People are handing out bigger and bigger tax credits.

The current EIS investigations are worth touching on, because I believe that the Scottish Government made representations on the matter. HMRC has concluded that EIS funding cannot be used in a treaty co-production, which is the fundamental European Union-created tool to facilitate production in Europe. HMRC has said that EIS money cannot go into that, which has been very unhelpful. It has damaged a number of productions and has had the consequence of taking out some of the commercial money that was in the marketplace.

I have never in life had the need to explore tax avoidance, sadly—[*Laughter.*—]but I know that some of the discussions about tax avoidance are really about investors reducing their risk. A balanced view must be taken. If we get in money from investors that is not 100 per cent taxpayer

money, and investors get to reduce their risk, that could be good value overall for the taxpayer. The issue is quite nuanced; it is not as straightforward as easily defined fraud.

The specific EIS problem is a problem for Scottish producers. There is less EIS money available this year than there was last year, as a consequence.

Ken Hay: The tax credit is a given. The challenge is that other parts of the UK—let alone the rest of the world—have available additional moneys to incentivise production activity on the ground. Northern Ireland has big pots of money to bring in additional business. The north-west, Wales and, at different points over the past 10 or 15 years, the east midlands—

Patrick Harvie: Are you talking about things other than the tax system?

Ken Hay: Yes. There was a mix of ERDF and other things. Basically it is money that you use to incentivise people to come and do business on your patch. That is the competitive market in which we operate in the UK—let alone internationally.

12:30

Arabella Page Croft: I will give you the figures. In Scotland we have £3.5 million for production development. Yorkshire has £15 million and Wales has £30 million. Where else have I missed out?

John Archer: Northern Ireland.

Arabella Page Croft: Northern Ireland has nearly £11 million. Northern Ireland Screen can invest up to £800,000 into productions. Creative Scotland can invest up to £500,000, but it only has £3.5 million for the whole year.

That is what we mean when we talk about sweeteners and incentives to bring into Scotland co-productions and other international productions. We must find more resource, austerity or not. We are five years behind where we need to be.

The Convener: Are you talking about public money?

Arabella Page Croft: I am talking about that and ERDF funding. We have been asking people to get behind us in the hunt to bring ERDF money into Scotland. We have to secure it; we really are being left behind.

John Archer: In Scotland we used to have an advantage with the Glasgow film fund, which was a second place to go to. It helped lots of successful productions, particularly in the year it put all its money into “Trainspotting” or “Shallow Grave”—which one was it?

Arabella Page Croft: “Shallow Grave”.

The Convener: There are no more questions and we have come very neatly to the end of our time. I thank the panel for their opinions. It has been a useful session; thank you for being forthright. The committee is still to take evidence from Creative Scotland and the minister, and we will produce a report in due course.

At this point the committee will go into private session.

Bob Last: Can I thank the committee for taking an interest in us?

The Convener: Thank you for your thanks.

12:32

Meeting continued in private until 12:50.

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