

Scottish Affairs Committee

Oral evidence: [Creative Industries in Scotland](#), HC 332

Wednesday 18 November 2015

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Written evidence from witnesses:

- [UK Music](#)
- [Institute of Practitioners in Advertising](#)
- [Advertising Association](#)
- [British Film Institute](#)
- [UK Government](#)

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Members present: Pete Wishart (Chair); Mr David Anderson; Kirsty Blackman; Mr Christopher Chope; Mr Jim Cunningham; Chris Law; John Stevenson; Maggie Throup

Questions 223-288

Witnesses: **Jo Dipple**, Chief Executive, UK Music, **Brian Coane**, Chair, IPA Scotland, **Amanda Nevill**, Chief Executive Officer, British Film Institute, gave evidence.

Chair: Welcome to the Scottish Affairs Committee. For the record, could you tell us who you are and who you represent, and give us any short opening statements. A bit of an apology for the late start to the session, so if there is anything that you do want to add before we go to questions, please feel free to do so. We will start with you, Amanda.

Amanda Nevill: Hello, I am Amanda Nevill. I run the British Film Institute.

Jo Dipple: Hello, I am Jo Dipple. I run UK Music. We are the trade body to the commercial music industry and we represent everyone from featured artists to musicians, collection societies, music producers, music managers, record labels, the Musicians' Union, music producers and the live music industry.

Brian Coane: I am Brian Coane. I am chair of the Institute of Practitioners in Advertising for Scotland. I am also representing the Advertising Association here today. The Advertising Association is the only body that brings together advertisers, agencies and the

media to promote the role of advertising, and its responsibilities on individuals, society and the economy. The IPA is a trade association. We represent creative agencies, media agencies and marketing communications agencies. We have 20 member agencies in Scotland and we have an office based there.

Q223 Chair: Thank you. We are grateful for your attendance this afternoon. This is the last evidence session in our creative industries inquiry—I think you know the terms of reference. We are very grateful to you all for submitting written evidence to this inquiry. There are a couple of questions that we have for you. We would like to explore some of the themes that have started to emerge in this inquiry and some of the things that we saw within your own written evidence. For us it is important that we try to get some sense of the size of the creative industries in Scotland. We are having a great deal of difficulty with all this because there seems that a different methodology is used by the UK and Scottish Governments, and some of the variance in the figures has given us great cause for concern. It gets very difficult to try to assess the size and value of the sector, and the impact that this has on the Scottish economy, as well as the UK economy. Do you have any views about how this is done, and particularly about how DCMS tends to categorise creative industries? Is there any way you could suggest to regularise this so that we get a better understanding of the size and scale of the sector within Scotland? I will open that up to Amanda, if you have any views on that, and then pass it across.

Amanda Nevill: Yes, I empathise and sympathise with your Committee. I read through quite a lot of the evidence and there are so many figures. The first thing is that the creative industries is such a huge, broad span of industries, and I think people tend to assume it might be the screen industries or it might be fashion. In fact, it takes in the whole lot, so it is about having clarity on that. DCMS definitely has a set of codes now that are generally accepted and which we stick to. My understanding—I have to say that before this my understanding was pretty thin on the ground, other than being as confused as you are—is that there are some areas of coding that differ between England and Scotland. My understanding also is that there is independent stats collection in Scotland. I know, for example, that for the BFI's RSU—we do have a UK-wide remit in a lot of arenas—it makes it quite complicated for us, even within the context of the screen industries, to provide figures that are dependable.

Q224 Chair: Jo, do you have any views on this at all?

Jo Dipple: Yes. This is a problem for Scottish figures and for UK-wide figures. When we did a test of the Office for National Statistics regarding our membership, we found that only 12% of our companies through our member organisations were properly coded in the national accounts. It does not mean that they are coded in the entirety of the national accounts; it is to do with VAT thresholds and other things. Many of the music businesses that we represent did not appear in the music code. Before the hearing today, I called up the Scottish Office for National Statistics and said, “Could you tell me about your music figures?” The music figures that it measures are completely different from the ones from the national Office for National Statistics. It has different codes included in the music category and only two years—2012 and 2013. Those are the only years for which there are figures for the music industry. There is growth—it goes from 8 million to 15.5 million from 2012 to 2013, which is fantastic—but there is nothing before and we have not seen anything afterwards.

Q225 Chair: Thank you. Is there anything from advertising that we should be aware of in this?

Brian Coane: I think it is confusing and it is difficult. I am sure you may have reached this conclusion that if there was a single set of figures that made it easier to compare between Scotland and the UK, it would be better for the industry from an advertising industry perspective. I believe advertising is a real driver of the creative industries in Scotland, but because of how the statistics are measured, that perhaps gets lost at times. If you look at the figures from a DCMS point of view, where I think it is 15% of the creative industries employing 26,000 people, with 33,000 jobs relying on it, it is a significant industry. Even within the Scottish Government figures that are different but lower, it shows that, in terms of the number of people, the turnover and the GVA, advertising is more or less the second industry within creative industries. However, quite often that is not reflected in how public sector bodies support the industries. The fact that there is confusion and discussion and no clarity over the exact figures and their impact perhaps leads to priorities not being correctly assessed.

Q226 Chair: We have UK Ministers coming in after this session, so these are the sorts of points that we are keen to put to them. We are very grateful for your views on all this. It matches with our experience of what we have heard from other witnesses that there is a great deal of confusion about this. I think it is incumbent upon the Government to try to resolve some of these issues, so we are grateful for all that.

Jo Dipple: Could I add to that?

Chair: Yes, you can.

Jo Dipple: The Scottish Government said that the creative industries are a growth sector and the thing about a growth sector is that if it grows, you need to be able to measure it to see if the policies that you might recommend to the Ministers are the ones that work.

Chair: Absolutely.

Jo Dipple: Our frustration is that we can say this is a good or bad policy but, if you cannot measure the outcome, it is very difficult to assess whether it was actually good or bad policy.

Q227 Chair: That has definitely come through loud and clear. We have been surprised at the variance that we have in the figures and some of the concerns from the sector and industry about some of these numbers that have come our way, so that is certainly something that we will be asking both the Scottish Government and UK Ministers when they are in front of us.

Can I ask you another opening general question? You are all here representing the UK industry—the UK sector. What sort of conversations and relationship do you have with your Scottish membership or the sectoral interest that you have in Scotland? How does that work out? I know particularly that UK Music and the BFI are located here in London and Scotland is 500 miles away and, as we have been discussing, it is five hours up the road. How do you represent your Scottish interests and what sort of conversations and relationship do you have with them? Is it worthwhile? Is it productive and does it work for you? Jo, do you want to go first?

Jo Dipple: Yes. We have a very wide membership. We are a trade body of membership organisations that have a lot of reps in Scotland. We do a lot of work in Scotland. We have recently formed a collaboration with Glasgow University to offer skills and training. We do work with Creative Scotland. We would like to do more with Visit Scotland. Our suggestion to the Committee is that more could be done here. We could work much more closely with the Scottish agencies. I think Creative Scotland and Visit Scotland have very big budgets—we are not publicly funded—and I think music should be put more in the heart of the work they do, particularly for music tourism. We have seen that tourism in Scotland has generated £280 million of revenue and if Visit Scotland could focus on music, as opposed to some of the other things on their agenda, it would be really useful to our members and our community.

Chair: Amanda, I know you were keen to contribute there.

Amanda Nevill: We are UK-wide. Overall, I think our experience of working with Scotland is really, really good. There is the gateway through Creative Scotland, with which we have an increasingly intelligent, joined-up relationship, I think, now that it has started to get underneath its policies and strategies. We also maintain a lot of very proactive direct relationships—with the blessing of Creative Scotland, of course—whether it is the Edinburgh Film Festival or the Glasgow Film Festival, whether it is our Neighbourhood Cinema, or whether it is about finding Scottish talent that is trying to find a career in the film industry. It works very well.

The other thing that is important for us, as a strategic organisation, is that the way in which we would work with Scotland needs to be empathetic to what is needed in Scotland. For example, one of our strategic priorities is to enable the broadest diversity of cinema to be enjoyed by the people across the UK. In Scotland you have a relatively small population spread across a very large territory. Yet, in our eyes, no matter how remote you are, you are just as important as somebody who might happen to live in a conglomeration. We need to approach that in a very different way.

It is a good, productive relationship. What has also been very good about the relationship you could look at in numbers. If we were to look at just the lottery investment, the per capita—if one was to do it very crudely like that—it is just slightly higher than that in England. Of course, working with Creative Scotland, usually they also come in behind and match fund quite a lot of the activities to enable greater impact. We would never, ever be complacent but it does not feel like there are any barriers there. It feels a positive relationship.

Brian Coane: From an IPA perspective, it is a slightly different answer in the sense that we are a UK-wide body, but we have an office and membership based in Scotland. I am based in Scotland. We have an office there and we run events. We run training. We work with other trade associations based in Scotland and that gives us a strong connection with the industry and further education. We work with Edinburgh Napier University and with Strathclyde University. We are about to launch a new IPA Scotland student advertising award to make those links closer with higher education because that is very important to us.

In contrast, our reflection and our experience is that there is not a strong relationship between the industry in Scotland and the public sector, and how that connects at a UK level. Many of the issues that we face as an industry in Scotland are similar to issues that might be faced in the north of the UK.

Q228 Chair: We are going to come on to some of these issues in the course of these questions, so I am grateful for that. I am just conscious of time. There is one other question from me before we move on, and that is about the Creative Industries Council. Again, this is a body that has emerged quite a lot in the discussion and debate that we have had around this table. I have looked at these issues for the best part of a decade and I was not particularly aware of the work that the Creative Industries Council does and its huge remit. What concerns this Committee, and the thing that has come through in the evidence, is that there is no Scottish membership of the Creative Industries Council. Where its remit apparently seems to be England only, it covers issues such as intellectual property and approaching the digital single market. I do not know if any of you have a short response or view about that and whether this is something that would be valuable. I know Janet Archer turns up as an observer to the work of the Creative Industries Council, but would there be a view that there should be a permanent membership on this with a real opportunity to input?

Brian Coane: I would say so. In fact I would say that, through the Advertising Association's involvement with the Creative Industries Council, we have experience of that and that has been very positive. I think the fact that it is a public and private partnership has made it more successful, so I think that should be reflected in Scotland. Obviously the Scottish Creative Industries Partnership is public sector only, so that means on those issues that you suggest, such as internationalisation of the industry, that perhaps is an opportunity missed because the connection is not there.

Jo Dipple: I would say it is unfortunate that the council stops just a bit north of Carlisle and it should either be a proper UK-wide council that has proper Scottish membership, or there should be the English and possibly Welsh and Northern Irish creative industries councils and then some devolved Scottish equivalent. Alternatively, Scotland could invite the Creative Industries Council to sit in Scotland and have a permanent member.

Chair: Yes, I like that suggestion. Thank you for that. We want to move on quite quickly, so over to Maggie Throup, who has questions about some of the relationship issues.

Q229 Maggie Throup: One of the areas we have been looking at is how public support for the creative industries in Scotland compares with support at a UK level. How do your relationships with the Scottish Government and Scottish bodies such as Creative Scotland compare with your relationship at a UK level? Do you want to start, Amanda?

Amanda Nevill: Thank you. I would only repeat what I said earlier in that I think they work well. Obviously with our relationship with Northern Ireland or our relation with Wales, there are different issues, and there are often different things to address, but I think it is very positive.

The one area that is going to be very helpful now—where I get this sense that Creative Scotland is strengthening its position—is that there is a common issue that we particularly have when it comes to film production, because our job is to nurture it and find that talent wherever it is. What tends to happen, unfortunately, because the industry is very focused in London, is that when talent starts to emerge it migrates to London. Obviously, we can and do award plenty of money for different areas of our portfolios to Scotland, but when it comes to production, we can award money only to those that apply. I suppose something that we should be working with Creative Scotland on in the future is whether we can work together to build greater sustainability so that we can see a greater number of applications

coming to the national lottery funds for production. I do not see any barrier to us working together in that way.

Jo Dipple: We do not get public funding, but I think those bodies that have a responsibility in Scotland that do get a lot of public funding should work more closely with the music community. I have written to Janet Archer and I have said that I want to work closer with Creative Scotland, but I think the promotion of Scottish music should be more important to Creative Scotland and Visit Scotland. We could do a lot more. I think we should have music tourist officers. The tourist business in Scotland for music could be enormous. It already is big, but it could be bigger. There is more work that UK Music can do and there is more work that the agencies can do.

I was looking at Glasgow as one of the nine UNESCO music cities. The UNESCO website for music in Scotland and in Glasgow is very good—it is a very effective website—and I think we need to work closer with the Scottish agencies. We need a bigger commitment to music as an economic driver of growth, cultural happiness and everything that music brings to Scotland and the rest of the UK.

Brian Coane: From an advertising perspective, there could be more that could be done. Advertising sometimes is viewed as a lesser creative industry than more artistic endeavours, and, while advertising is not art, there is a huge overlap between those two industries. You can take lots of examples. David Shrigley, who is Turner Prize-nominated, has created advertising for Pringle and designed the Partick Thistle mascot last year. David Eustace is a photographer whose portrait of Tracey Emin hangs in the National Portrait Gallery in Edinburgh, and he directed the Scottish Government’s “Detect Cancer Early” lung cancer campaign, which has just been shown to have increased early detection by almost a quarter as part of public awareness campaigns. We had Jonathan Glazer directing “Under the Skin” in Glasgow last year, which people were celebrating and excited about. He obviously developed his skills directing commercials, most famously the Guinness “Surfer” ad.

I think that overlap between advertising and the other creative industries is something that needs to be recognised more. We can do more to encourage it, because advertising has the potential to grow in Scotland in a way that maybe some of the other industries would find it more difficult to do because they are more niche. Digital media has brought everybody into the creative agency space and I think that the public bodies, together with us, could do more to make an impact on the economy.

Q230 Maggie Throup: One specifically for you now, Amanda. The written evidence from the BFI, which I am sure you were involved in pulling together, highlights some examples of successful engagements with Scottish bodies, such as Creative Scotland. Has joint funding between the BFI and Creative Scotland enabled you to have larger programmes in Scotland or has it just been essential to keep things running?

Amanda Nevill: I think it has enhanced what we are able to do. Arguably, you are in a better position in Scotland because there are already devolved Lottery funds. If you are making a film in Scotland, you can apply to Creative Scotland, but you can also apply to us. There is no inhibition about two pots of money going in, so I think it enhances it.

Another one would be the BFI Film Academy, where the funding came mainly from the DfE, initially just for England. If we had not had the support of Scotland, we would not have been able to roll that out through Scotland. I think it has definitely enhanced it.

Q231 Maggie Throup: It is good to have some positive examples. To the other two panellists: do you have any particular positive examples of working with Scottish partners and are there any areas where collaboration could be improved?

Brian Coane: There are positive examples we are working on. Tonight we are putting on an event with Creative Cloud, which is funded by Scottish Enterprise, to celebrate the creative industries in Glasgow because, as I am sure you are aware, the Turner Prize is being held in Glasgow at the moment. That is under the banner of creativity in how those sectors connect—art and advertising. We are launching a new prize for higher education to bring more students into the industry, on which we have had a positive response from Skills Development Scotland. From the advertising industry perspective, there is certainly the beginning of more positive involvement. We would like to see that continue to grow as they begin to understand the benefits that advertising can deliver to the economy.

Jo Dipple: Our members and the musicians that we represent benefit hugely from the investment that Creative Scotland and other agencies put into music. We would not have the music industry we do in this country without Scottish music. There is absolutely no doubt about the power that Scotland brings to the UK's music industry, which is worth over £4 billion to the British economy. As I said earlier, there is much more that we could do and the funds available in Creative Scotland and Visit Scotland could be focused a lot more on music output. We are totally committed to working with them to develop that.

Chair: Thanks. A question from John Stevenson on working together with Governments.

Q232 John Stevenson: You have all mentioned organisations working better together. You specifically, Jo, said that there should be a closer working relationship between the Scottish Government and the UK Government to help to promote the industry.

Jo Dipple: Yes.

John Stevenson: How do you go about achieving that, or how would you suggest they go about achieving that?

Jo Dipple: There are devolved policies that sit within the Scottish Government and, obviously, it is up to them how they manage their policies and their workload on cultural issues. We are working very closely with them. Our members are based in Scotland. We obviously have a great Scottish membership that we represent. In terms of the British Government, when it comes to things that were in the Scotland Bill about devolving powers, I think there has to be a sensible acknowledgement that, if Scotland gets devolved powers to do what it wants in terms of institutions, those existing institutions in the UK need to work very closely with that devolved power to make sure that it is effective and efficient, and in the best possible interests of, well, my artists, musicians and members.

Q233 John Stevenson: Do Amanda or Brian have a comment on that?

Amanda Nevill: We do have a board member who comes from Scotland. We also have—accidentally rather than by design—a member on the executive committee who comes from Scotland, so there is a sensibility about the cultural value of Scotland. That is quite important because when you come to film there are two aspects you are looking at. One is it is an economic driver. It can be a direct economic driver in terms of jobs but also an indirect driver, in so far as it will drive tourism if you have films shooting there. There is also huge cultural worth in promoting to the world the intrinsic value of the culture of Scotland.

Q234 John Stevenson: But on the specific issues, how do the Administrations work together? How would you see that for the Scottish and UK Governments?

Amanda Nevill: Sorry, what I was trying to say is that I think at the start you need to have the sensibility right at the decision-making stage. The second thing is you have to have somebody to work with. I think it is absolutely essential that, particularly in the devolved arena, you have a Creative Scotland with a strong relationship so that you can ensure that the policies work together.

Q235 John Stevenson: So it is almost that a third-party organisation should be helping to facilitate that working relationship?

Amanda Nevill: No. Unless I am missing here, I think it is incumbent upon us as a UK-wide organisation to ensure that we work as closely as possible. My point was it is very important to us, and it makes life much easier, if you have a very strong body in Scotland that we can work with together.

Brian Coane: For the advertising industry based in Scotland to compete for contracts, we are often competing against international or London-based firms that perhaps have an advantage in terms of reputation. Also, I think the Nesta report recognises London as the centre of the creative industries, so in that sense the pool of talent that exists in London for agencies to draw on is very significant and gives them an advantage. Therefore, I think the Scottish and UK Governments need to work together to enhance talent outside London that we are able to retain and support within Scotland and across the rest of the UK. I think other regions of the UK would have a similar issue and would support that. It is things like talent from university into the industry and helping to support that, and also, I think, in terms of immigration and bringing talent in. A lot of the talent that works within the advertising industry is exceptionally mobile, so if the industry is not there to support them, they can easily move elsewhere. There are obviously other centres that they can move to.

Chair: We have a couple of questions on tax reliefs, which is another feature that has come out very loudly and clearly in some of the evidence that we have secured.

Q236 Mr Chope: The first one is to Amanda because the British Film Institute administers the cultural test of whether applicants for these tax reliefs satisfy the criteria. From that experience, can you tell us how these tax reliefs work in practice in Scotland? We have been told that, because the organisations are relatively small in Scotland, sometimes they cannot benefit to the same extent as larger organisations that are perhaps UK-wide. Is this another example of tax reliefs distorting the market and, in this case, in an unsatisfactory way? What else could be done to level the playing field?

Amanda Nevill: I have absolutely no evidence that that is the case, to be honest, and our job is to do all we can to help people to get those tax reliefs because the whole thing is that we want to enable that activity to happen. We run workshops and have a fantastic advisory service, and we regularly run events in Scotland to ensure that, no matter how small your company, if you want to access it, there is a very professional team there that will work with you very closely to enable you to do that.

Does it distort the market? No, it absolutely does not. The economic evidence for film shows beyond a shadow of doubt that every pound of tax relief generates £12.40 for the UK economy. It was on that sort of proposition that the tax breaks were brought in for high-end television, for animation and for games. In the context of games, I would have thought there were particular opportunities, for example, with Dundee, where obviously what this means in the risky arena of creative industries is that there is an incentive for investment. I think they are a good thing and they should be border lined. I do not have any evidence at all that anybody across the UK—I cannot think of the word now but you know what I mean—cannot access it in the same way.

Q237 Mr Chope: Thank you. My other question is about the scope of these tax reliefs. They do not apply to advertising or music, so can our other two witnesses say whether they think they should, or whether they are content with the present arrangements? Perhaps they will deploy arguments in support of their views.

Jo Dipple: We strongly believe that there should be a general creative industries tax break. It should not just benefit games, high-end TV and video production; it should also apply to music. We think that having a tax break for the production of music would increase the creation of IP rights in Scotland. If you had a proper, organised tax break for all Scottish music, it would definitely generate IP for the sector. Even if the UK Government did not want to do a tax break for music in Scotland, perhaps the Scottish Government could think about a tax break for all music in Scotland. We have evidence of video production moving overseas to South Africa and Canada. We have evidence that if there was a tax break for video production—

Q238 Mr Chope: Sorry to interrupt, but could you just explain how tax relief for music would work? How would it be applied and what parts of the sector of music would be able to benefit from that?

Jo Dipple: It would apply to the production of music, so the production of, say, a film score. That would apply to a recording studio and/or a music producer or songwriter who was employed to create a piece of IP for a job. Like the BFI, we have talked to HMRC. It said that it is difficult, particularly with an industry made up of small and fragmented creators of IP, because they would have to give a corporation tax credit to a business and some of them are sole traders. It would be very difficult to organise. What we would suggest is that, a bit like the BFI, UK Music could perhaps operate a system, but we definitely think that a tax break would be an investment in the creation of music IP.

Brian Coane: From an advertising point of view, I think the blurring between games and advertising and film and advertising is increasing all the time. Where there is a tax break on one and not a tax break on the other it does not feel like there is a principal reason anymore why it should be that way. We would support it and I think it would also help small agencies and help small businesses to advertise. You will be aware that SMEs make

up over 99% of businesses within Scotland, yet account for a very small amount of the advertising—40% of all advertising in terms of turnover, but only 18% from small businesses. To help small business advertising and to help agencies produce that advertising for them, I think it would be an advantage.

Q239 Mr Chope: Right across the whole of the United Kingdom rather than just in Scotland?

Brian Coane: I think it would be, yes.

Amanda Nevill: Can I add an addition just for the information of the Committee? What the tax reliefs also do is to support inward investment. Scotland has definitely benefited, which is great, from productions that have been attracted to our shores through the tax relief. Obviously, we see the glittery top line of a film, but behind a film there is an army of people with very portable skills, whether it is carpenters, electricians, caterers or drivers. It is a very, very good employer.

What the BFI also does is to work closely with and fund something called the British Film Commission. It regularly brings producers—and the producers from the US who are the decision makers—to this country. We always take them to Scotland because there are so many fantastic locations. You can see from the tax reliefs at the moment how they are working in, say, “Outlander”, for example, which is successful. On Monday I saw the most glorious film funded by us, which at the end of this you must see: “Sunset Song” by Terence Davies, all shot and set up specifically in Scotland. Of course, there is Jonathan Glazer’s film as well. It also is a way of attracting economic activity into Scotland.

Chair: You know that we are also still looking at the possibility of getting a film studio in Scotland and we are looking for private sector partnership to deliver and achieve this. Something that I know is very much on the radar of the Scottish Government is how they could assist and support that. We are going to move on to intellectual property, which is an issue that is most definitely reserved to the UK Parliament. Chris Law has a question on that.

Q240 Chris Law: We have been hearing over the last weeks and months in gathering evidence about the digital single market and a range of concerns, particularly the concerns where those who are looking to monetise their intellectual property will have to go to the highest bidder, which might end up being a Netflix or Amazon, and countries throughout Europe, for example, would not be able to get it for their own nation states. I wanted to know if that was a concern for each of your organisations. The second part I wanted to ask is in what way you are engaging with Scottish Enterprise on these issues surrounding the digital single market.

Amanda Nevill: It is of huge concern to us, obviously, because for some of the creative industries there is already a digital single market because it makes economic sense. I know you have taken evidence from John McVay, who I think very eloquently explained something that is quite complex. We are very concerned.

There are two issues. One is about portability, which very clearly makes sense. That is the notion that if you buy a subscription to Netflix and then you go on holiday, you should be able to port that with you. That makes sense within some sort of framework. The main issue of concern is territoriality, which is what you are alluding to, which is the notion that

at the moment if a film is being funded its budget will often be put together by presales to different countries. Of course, it makes sense that a French film is going to be more valuable in France than it is here in the UK and vice versa. If one was forced to make that available across the piece, it would basically pull the guts out of the financing shape for film and, indeed, for television.

The most critical thing here is that there has to be one message coming out of the UK. It cannot be a fragmented position. The BFI is very, very active in Brussels on this. We also represent the whole of the UK on something called EFADs, which is the European Film Agency Directors. The CEOs of all the BFI equivalents across Europe are a very tight knit group and, as a group, we are a massive influence back into Brussels itself. We are very, very active. Our take at the moment is that portability will not be a problem and I think the industry will come up with something sensible.

In terms of territoriality, I think there was a philosophy there, which I can understand, which was based on audience first, IP second. What you have to do always with any legislation is to ensure that you protect the rights holder, while at the same time not making it impossible for the audience.

Jo Dipple: For music, we have been operating in a digital single market for a long time. We have been offering digital licences on a pan-European basis for a decade. We have become very good at it and we provide licence services all over the European market so that artists such as Paolo Nutini can reach the 500 million consumers in Europe. Our market is also very European-wide, so our two biggest markets are North America and Europe. The latest RPI figures put Europe ahead of North America as our primary market, so it is worth US\$5.36 billion, compared with the US, which is US\$5.24 billion, so Europe is such an important market to us. I think one of the things that has surprised me in the process with Government is there is a massive opportunity with the digital single market conversation that Government is currently having with the Commission, but the service providers are predominantly American: 54% of the service providers in the European market are American-owned or American-based.

I think sometimes that the British Government forgets that when we are licensing our rights to services in Europe, 54% of them are American-owned and some of those American services are treated differently under European law than the British or European services that are also very effective at reaching the European market. We are asking for a level playing field for those American-based services, so that they value the British and Scottish rights that we provide them, which are enjoyed through the whole of the European market, and so that they are valued in the same way as by the other service providers.

Brian Coane: I think this issue is different within the advertising industry. I think IP is important because it relates to the quality of output and the craft of that output. I think in Scotland to have protection and support for IP is important because it maintains a high quality, which allows us to compete internationally, so I would support that wherever we can.

Q241 Chair: Can I ask just on IP, because the digital single market is important and I know, particularly for the film sector, that there is a huge concern about the territoriality issues: are you confident that the UK Government are hearing your concerns and acting on them, and that they are presenting the full picture and the issues that are at stake for the film sector when

they are dealing with the single digital market? What are your expectations about a hopeful outcome when it comes to these types of negotiations?

Amanda Nevill: I think we are very fortunate to have John Whittingdale as the Secretary of State and Ed Vaizey, because they both understand what is a really complex issue. I think we feel very confident that there is a total understanding.

The other thing is the value of film and television in the UK. As a nation we are a go-to place in the world now, so one would not want to do anything that could dent that or damage that possibility. You sometimes feel when you are working with Europe, to be honest, that it is the common sense versus whatever the opposite of common sense is.

Q242 Chair: The other issue for this Committee is that the UK Government are solely responsible for managing and looking after Scottish interests when it comes to intellectual property and discussions about the single digital market. This Committee wants us to try to impress upon the whole sector that IP is important and that we should be taking a greater interest. Is there anything that either of you could suggest about how we get that message across—that this is a hugely important sector and that IP is critical for monetising the works that they produce? Is there anything more that we can do to raise this as an issue in Scotland?

Jo Dipple: I think we just have to keep banging home to the Ministers what an important market Europe is and how important these discussions are, and that Scottish rights need to be monetised fairly and legally in the European market. They are our Ministers. They are our envoys in Europe. They are the ones who go out to the meetings and have the arguments about the outcomes in the digital single market. We need them to be totally invested with the responsibility of arguing for Scottish rights in those arguments.

Chair: Dave Anderson has a question on the devolution of tribunals.

Q243 Mr Anderson: This is specifically to Jo. Within your evidence, you raised concerns about the proposals in the Scotland Bill to devolve copyright tribunals. Can you tell us what your concerns are and if they have been addressed, and we will take it from there?

Jo Dipple: In our submission we raised one infringement case, where we said that there could be more streamlining in the Sheriff Courts. Obviously IP cases are complex and specialist knowledge is very useful when you are looking at such a case, and the sooner they can be resolved the better for the rights owners. The second instance was about the copyright tribunal. There is currently a UK-wide copyright tribunal that looks at tariffs and licensing, and there was talk in the Scotland Bill of whether there might be a Scottish copyright tribunal. That is not a decision for us to take, but we would say that a lot of licences are now UK-wide and online and, where there is a border issue between a Scottish tariff disagreement and a UK-wide tariff disagreement, it would be very helpful if a new copyright tribunal body could be very, very streamlined with the existing UK-wide one so that we are never in a conflicting position with decisions on a UK-wide tariff.

Q244 Mr Anderson: I am not going to pretend to be an expert by any means—you clearly are—but, from what we have heard, the Scottish will not welcome the devolution of the copyright tribunal. From my understanding it was in the Smith Commission. Have you raised these issues with them or is this—and I am not being speculative—something that has come

to you after the event? If not, where are we at? Is there any sign of movement on what you are looking for?

Jo Dipple: I think my members were just concerned and interested that, if there is going to be a Scottish copyright tribunal, we are involved in the decision making. We have spent the last decade—with licence laws and Government—streamlining and making efficiencies in copyright law, IP practice, tariff negotiations and rulings on tariff negotiations. All we would say is we would very much like to see a streamlined and efficient system, if that is what is decided.

Q245 John Stevenson: The creative industry is obviously developing talent, so attracting and retaining talent is absolutely critical to it. Does Scotland have a particular problem at all with retaining skills or attracting skills?

Brian Coane: Within the advertising industry I think there is a challenge, in the sense that we do compete with one of the most attractive centres in London, so we are trying to address that. We are trying to work much more closely with higher education. I mentioned earlier that we launched our new Scottish student advertising board to bring graduates into the industry and to make them industry-ready. It can also be a challenge to attract existing established talent from other centres and internationally to Scotland, and I think potentially dealing with issues like immigration and flexibility, or giving more opportunity to allow people to come from other places to work, would be good for the industry as well.

Q246 John Stevenson: With the devolution settlement, skills and culture are devolved. Is that a positive or is that a hindrance, do you think, to ensuring that talent is attracted to and retained in Scotland?

Brian Coane: Within the sector in Scotland, the education sector is very strong. I think there is very strong creative talent and we need to work hard to make sure that that stays in Scotland. If we can do more at that point when people graduate, when they are highly mobile and there is an opportunity for them to leave, perhaps that would be beneficial for the long term. I think we need to do more of both with Skills Development Scotland—which are trying to do that at the moment with industry—so that we work together to make that happen. But, ultimately, I think it is the quality of the work that will help us to expand and grow the industry, and to grow the industry internationally, and the more people we can retain in Scotland the better.

Q247 Chair: Jo, how do you see the talent situation in Scotland at present?

Jo Dipple: I think if you look at the figures that CC Skills and the sector skills bodies look at, obviously London and the south-east are a concentrated music market. I think that Scotland is a very strong market that has a massive opportunity right now. Living and working as a musician in London is very, very expensive—rents are high and there are big problems with getting a visa if you want to go abroad and to America to play. If you are a musician, I think Scotland is a very, very attractive place to base your business. We have found that actually a lot of people are moving back to Scotland. Edwyn Collins has just moved his studio back to Glasgow, and there is a young musician who is nominated in the Mercury Awards, which are on Friday, who is self-releasing and making his own music

from his studio in Glasgow. I think the conditions are such that a lot of musicians could be drawn back to Scotland.

Q248 John Stevenson: If Scotland creates the right sort of atmosphere—culture and environment—it could be a counterweight to London.

Jo Dipple: I absolutely think so, yes.

Q249 John Stevenson: Where do the other cities fit in with this—Manchester or Liverpool, for example?

Jo Dipple: Manchester and Liverpool have always been music hotspots; they have always had their own attraction. Liverpool has its own music ecosystem and, if you want to play music in Liverpool, that is where you go and that is where you live. There are facilities all over the place. On the lure for Scottish musicians to come to London specifically, I think that balance is getting more difficult. If you were a young Scottish artist you would have to say, “What are the benefits of being in London, particularly in a digital market? Wouldn’t I be better off being in Scotland where certain conditions are a lot easier for a young musician just finding their way?”

Q250 John Stevenson: Do you think there is a story to tell for Scotland in terms of retaining and attracting?

Jo Dipple: Yes. There is a great story at the moment, and I think there are certain things that could be accelerated, like the visa issue. I know of a young band that had to go to Belfast, rather than coming to the American embassy in London, to get a visa to tour in America. If there was a system in Scotland—I do not know how this would work—whereby it was easy to get a visa to tour, Scotland would immediately become immensely attractive to young musicians who want to tour.

Amanda Nevill: I think there is a real opportunity. We are starting to look to the future, because film and television is really thriving, but if we want to sustain that level of growth, the notion that it can be sustained solely in the south-east and London is a nonsense. We have to have a vision whereby, perhaps in 10 years’ time, we have producers in China and in the US saying, “Are we going to go to London or are we going to go and make it in Edinburgh?” The real issue is how you start to find or support the places.

Funnily enough, there was a CBI roundtable this morning where we were addressing this real thing. There is a number of factors. First, there has to be organic growth—you cannot invent it—for example with Dundee and games. For me, intuitively, there is something going on between Glasgow and Edinburgh—the fact that you have “Outlander” there. The second thing is you need a sense of place, because creative people want to go to a creative place. Even at a different level, if you are making a film or television and you have cast coming in, they want to go somewhere they can bring their husband or wife and their children, and somewhere that is an enjoyable place to be because they might be there for a very, very long time. So, it is that sense of place and that whole 360 degrees. Then you obviously have to look at the skills base there. What is there to lose with film and television? The skills base is so broad that there is a job for everybody, whatever your skill levels.

Q251 John Stevenson: Would Salford not be a challenge to that, though, as an alternative to London rather than Scotland?

Amanda Nevill: I would throw out that I think there are quite a few places that could challenge it. I don't know whether there should be one place or a couple of places. All I know is that we need to find somewhere, and it seems to be me that Scotland has all the right ingredients—it is a place where there is already organic evidence of this and there is the leadership, confidence and ambition to put those bits together to make them more than the sum of the parts, with a very long-term vision.

We try to incentivise and to try to find out where those organic places might be. We launched a lottery fund for which we invited people to apply so that we could 50% fund a growth plan if they felt there was the potential to grow in their region. I was personally quite disappointed we did not get a bid from Scotland, particularly as there has been quite a lot of discussion about whether there could there be a studio in Scotland and an upping of investment to support a studio there. Of course, without doing that bit of business growth and research, you will not really know fully. We would have liked to have supported that.

Q252 John Stevenson: Does that demonstrate there are not the skills and talent in Scotland at present to be applying for such grants, and that therefore there is an issue?

Amanda Nevill: To be honest, the evidence would suggest the opposite, and this is not for want of trying. It was not an invisible fund; we did knock on the door. Anyway, I am sure we will come back because there is something obvious there. I do think there is an opportunity that would be worth investigating. It would be worth doing that research and working out—particularly on the back of things like “Outlander” and “World War Z”; some sets that are shot there—what those producers have thought and whether they would come back. We have definitely seen, for example, in Yorkshire that some of the productions—

Chair: Sorry, we do not have enough time, so I have one last question from Jim Cunningham.

Q253 Mr Cunningham: Do you think that the Skills Investment Fund is adequate funding for the development of skills in the industry?

Amanda Nevill: For film and television, again, we are just about to undertake a complete audit of the skills that are needed in the future, so I don't think I can answer that at this moment, but I will be able to tell you in a few months' time.

Brian Coane: I cannot give you a specific answer on whether it is adequate or not. I think the IPA puts a lot of effort into training and linking in with training bodies to make sure that the talent is there and is coming in from the industry. That is funded by our members and agencies support that, so there is an opportunity, but maybe we are not making enough of that opportunity to develop this.

Q254 Mr Cunningham: My understanding is that it is matched funding and we were not getting it. Is this working out? Is the matched funding adequate, because it was part of the March budget?

Brian Coane: I cannot answer that.

Jo Dipple: I would like to come in here. As far as I understand it, skills funding is made available only to those industries that get a tax break. Until music gets a tax break, we do not get that skills funding, so it is not adequate.

Secondly, I would be very interested in the Committee's line on the proposal of the new skills levy, which would be taken from Scottish business and from businesses across the UK although, in the latest proposal we saw, the funding from the levy would be made available only to English business.

Chair: These are some of the questions that we will want to put to Ministers when this session is concluded, which unfortunately it is now. We are very, very grateful for your contributions and evidence this afternoon. Is there any last thing? We are conscious that we are wrapping up, so if there is anything else that you want to add or anything that we have missed as a Committee, or if you go away and suddenly think of something, please write to us. If there is anything else that you want to add in terms of written evidence, we are more than happy to accept that, but thank you all very much for contributing this afternoon.

Examination of Witnesses

Witnesses: **Mr Edward Vaizey**, MP, Minister of State for Culture and the Digital Economy, DCMS and BIS, and **Baroness Neville-Rolfe DBE CMG**, Parliamentary Under-Secretary of State and Minister for Intellectual Property, DCMS and BIS, gave evidence.

Q255 Chair: You are more than welcome. Thank you, Ministers, for turning up to this session today. This is our last evidence session inquiring into the creative industries. We have two UK Ministers; what a perfect way to end this particular session.

Baroness Neville-Rolfe, I understand that there may be Divisions in the Lords. We will keep a watching brief on that for you.

Baroness Neville-Rolfe: Thank you.

Chair: If the Minister of State is happy to answer on your behalf we might continue, but let us know if that is going to be suitable and if that is an arrangement that you are happy with. Could you give us an indication of when this is likely to happen?

Baroness Neville-Rolfe: I am afraid I have no idea. It is on the referendum Bill and we do not know how long colleagues will talk for in the other place. It is thought to be between 4 pm and 5 pm but, you never know, it may not happen until after that.

Chair: That remains a mystery to this Committee.

Mr Vaizey: We have one at 4.15 pm.

Baroness Neville-Rolfe: My colleague, Rosa, from the IPO is here as well, as an official, so she can—

Mr Vaizey: We could go and put our officials up here.

Chair: Sometimes when we are having these inquiries we think that is—

Mr Vaizey: Although for 15 minutes, there would be no one to ask some questions.

Chair: For this Committee, that is probably just as useful.

Mr Vaizey: That is right; I suspect more useful.

Chair: But we have a deuce of Ministers this afternoon. Perhaps, just for the record, you could say who you are and what you represent. Please make any opening statement you have, bearing in mind that we have a Division in the Commons in 10 minutes' time.

Mr Vaizey: I am the Minister for Culture and the Digital Economy. I welcome this inquiry; Scotland obviously plays a crucial role in the success of the creative industries through the UK. It is worth noting that the creative industries have grown three times faster than the economy as a whole. They are a very important part of our economy and they deserve to be highlighted by policy makers wherever possible, which is why it is a good thing that we are having this inquiry.

Chair: We are grateful for that, Minister.

Baroness Neville-Rolfe: I am Minister for Intellectual Property. I serve both in the Business Department and in the Culture Department and lead on a number of issues in the House of Lords. I think my goal is to make Britain—obviously that includes Scotland—the best in Europe for setting up and growing a business. I have a personal passion for IP, although I have only been doing it for 15 months. We seek to work collaboratively with Scottish partners to build IP awareness. One of my very first visits was indeed to Scotland, for the wonderful Commonwealth Games, which was also a good showcase for Scottish creativity.

Q256 Chair: Great. Thank you both very much for that. One of the things we are interested in is the scale and the range of the footprint for the creative industries in Scotland. We are finding that very, very difficult to determine and understand because of the variety of different methodologies that seem to be engaged in trying to assess the size of the sector. We know that DCMS uses particular criteria and definitions when it comes to assessing the contribution of the creative industries and what constitutes the creative industries, and this is totally different from what Scotland uses in terms of trying to define what the creative industries are. Do you believe that we could regularise this and come to some sort of agreed position so that we could get a real sense of what the size of the sector is? I think one of the difficulties and challenges is trying to see if it is growing or shrinking, because it is very difficult to know what we are talking about. Are there any particular views that either of you have on that?

Mr Vaizey: I have a range of views, which is probably unhelpful, but I will throw them out there anyway and hope that the Committee can turn them into something in its report. First of all, my understanding is that, in terms of gross value added, on the actual value of the creative industries to the UK, because of the way statistics are calculated, we cannot separate out Scotland's contribution in economic terms from the overall value to the UK as a whole. As I understand it, we can separate out jobs, so we know—I will correct these figures if they are wrong by letter—that of the 1.8 million jobs we say are in the creative industries, about one in 10 of those, or 174,000, are in Scotland. That is issue No. 1, which I think is important: how do we give a proper economic value to the creative industries in Scotland?

The second thing is what is a creative industry? We know that, when he was the Labour Secretary of State, Chris Smith effectively defined the creative industries as 13 different sectors. First of all, we took out software, and then we added it back in. There was a huge hullabaloo on both sides, and there were certain elements in the software industry that did not want to be part of the creative industries, but we put them in anyway because they underpin a lot of the tech that goes on, so there was some debate about it.

The third point I would make is that I myself have torn my hair out in frustration in terms of how you define particular sectors and how those statistics are collected. The pushback I get on that issue is obviously that these are international statistics, so it is hard. If we went out on a limb in terms of how we define a particular sector or how we collect data on it, it would not correlate with how our European colleagues—and indeed international colleagues—measure their own creative industries. I certainly had pushback from different sectors, frankly, about the way we calculate statistics. If you take a small example like the contemporary art market, which is probably worth hundreds of millions to the UK economy, we have a very anachronistic definition of the arts and antiques market, which I do not think necessarily reflects their contribution. Those are the kind of three issues.

I would certainly be up for seeing whether we could come up with a survey that perhaps better reflects the complexity and sophistication of the creative industries. Do you include new industries like the sharing economy, for example, or the whole app industry? Apple will regularly publish annually the value of the app economy in the UK, which are some pretty staggering statistics. As a layman, I would put those into the creative industries. I do think it is worth a robust discussion and I certainly would not rule out—although my officials would have a heart attack—having a separate survey that was done effectively by the industry, in conjunction with the Government, better to reflect what I think is a much more interesting economy than perhaps the official statistics show.

Q257 Chair: Do you have any figures at all, or any statistics that would be of use to this Committee, that suggest the proportion of activity when it comes to the creative industries for Scotland vis-a-vis the rest of the United Kingdom? Over here, about the Northern powerhouse, are there figures relating to the north of England and to London, for example? Is there any sort of regional breakdown that you have within your Department that would help us to get a sense of the range of the creative industries across the United Kingdom, including Scotland?

Mr Vaizey: As you know, we put the estimate for the value of creative industries at about £77 billion. We are able to say—as I did indeed say in my opening remarks—that on that basis we are able to measure their growth, and we talk about growth of 10%, as opposed to roughly 3% of the economy as a whole. We are able to break down, as I say, the job figures. As you know, the Scottish Government have come up with their own estimate of approaching £4 billion as the value of the creative industries in Scotland, which is a 24% increase—a much higher increase than the UK as a whole. I certainly think it is a perfectly legitimate exercise to sit down with the Scottish Government and say, “How did you come to your estimate? How do we come to our estimate? Is there a way we can meet in the middle?”

I certainly also take on board what I think was implied by your remark that a regional analysis is useful. For example, we have the Tech City organisation, which I think does very good work in identifying clusters of tech companies. Whether you are talking about a country like Scotland or a region in England such as the north of England, everyone wants

to be able to say what activity is going on in their area as a way of attracting inward investment and specialisation, so if you are able to say, for example, that there is a games cluster in Scotland or a health cluster in Leeds and Bradford, those are good things to talk about. There are all sorts of different surveys and I think a good kind of desktop exercise is to look at the different surveys that come out. I am thinking out loud, and this only occurred to me when I was answering your question, but I go every year to launch Apple's app economy survey and I do not even think we take that into account when we are looking at all those things. It would be quite useful to have a desktop survey that said, "These are all the kind of surveys that impinge on this sector and is there a way of coming to some kind of overall conclusion?"

Chair: We are grateful for that. We are now having the Division, so may I suspend this sitting for 10 minutes? I think there is only one Division just now, so if everybody could be back in 10 minutes' time, we would be very grateful.

Sitting suspended for a Division in the House.

On resuming—

Chair: Thank you for everybody getting back so quickly and conveniently; we will move on if that is all right. We have a couple of questions on the relationship and co-ordination between the UK and Scottish Government.

Q258 Maggie Throup: What mechanisms are there for the Scottish Government to feed into development of UK Government policies that will affect the creative industries in Scotland?

Mr Vaizey: I think I have a pretty good relationship with the Scottish Government Culture Minister, Fiona Hyslop. We regularly exchange correspondence and we meet relatively regularly. I think at the last meeting she met the Secretary of State, John Whittingdale, during the Edinburgh Festival in August. As you know, we have the Creative Industries Council, where there is a standing invitation to all the devolved Administrations to attend to feed in policy views, and Janet Archer from Creative Scotland also attends that on a regular basis. I think there is a pretty porous relationship.

I am very interested, for example, in what the Scottish Government did with Creative Scotland in putting together culture and the creative industries. I thought that was an innovative move and it is interesting to see how that establishes itself. Clearly, on a whole range of issues, whether it is the lottery, tax credits and so on, we would want to hear the views of the Scottish Government. As far as the BBC is concerned, there is obviously a memorandum of understanding that means the Scottish Government will be consulted on any changes to the charter. Scotland has a representative on Ofcom, so I think the links are pretty strong across the piece.

Baroness Neville-Rolfe: Shall I add on IP in particular?

Mr Vaizey: Yes, I think you should.

Baroness Neville-Rolfe: We have very good links with Scottish Enterprise and, again, we have a MOU with it that was agreed in 2013, so that is relatively new. The IPO is training general business advisers in Scotland to ensure that the opportunity message of IP creative is getting out to your entrepreneurs and small businesses.

We work very closely with the Scottish patent libraries. There are some absolutely excellent libraries. One is in Aberdeen, and you will be interested to know that the other is in Glasgow. They obviously have online as well so that people from across Scotland can get that advice. I find those libraries an absolutely marvellous source of all the different sorts of IP: brands that will affect something like whisky; obviously copyright, which is more relevant today because of music and video games and all the rest of it; and also design, trade secrets and patents. We try to make sure that, although this is a reserved issue, we work very closely with the relevant business delivery vehicles in Scotland and, of course, we do work on education and enforcement, which we could talk about separately.

Q259 Maggie Throup: Obviously culture skills and economic development are devolved matters, as you just said. Scottish agencies including Creative Scotland, which you have already talked about, and Scottish Enterprise in particular lead our support in the creative industries in Scotland. To what extent does DCMS engage with Scottish agencies in relation to promoting the UK's creative industries as a whole?

Mr Vaizey: As I say, I think we have a close relationship with Creative Scotland. I probably see Janet Archer at least once a year and am also obviously available to hear her any time she wants to make any points, and the same goes for Fiona Hyslop. It is also important to add to what I said earlier, in the sense that there are still UK-wide organisations that work across the UK. The British Film Institute, which I know you have just taken evidence from, will obviously have a strong presence in Scotland and engage with Scottish policy makers on what they think are the appropriate ways to support the Scottish film industry.

Similarly the Heritage Lottery Fund, which again will have a Scottish representative on it, will obviously take account of what Scottish policy makers want to see in terms of heritage policy. I think on devolved matters like culture, with different arts councils, there will be relationships at that level. On non-devolved matters or—to put it more accurately—national bodies that still exist across the nations, like the BFI and the Heritage Lottery Fund, there will be Scottish representatives on those boards, as well as, obviously, a very clear mindset within those organisations to take account of unique Scottish issues.

Baroness Neville-Rolfe: It might be worth mentioning the EU side as well because, as I am sure you will know, there is an important committee that shares at ministerial level what is going on in Brussels with the other parts of the home nations. I think that is very important and certainly I am always very careful to make sure that where we get a new proposal—I spend a lot of time on the single market in Brussels—we have good links in to Scotland in particular.

Chair: Thank you.

Q260 Mr Chope: There are several UK-wide funds that are available to creative industries in Scotland. How are the needs of the creative industries in Scotland taken into account when these funds are set up?

Mr Vaizey: We take the view that UK-wide funds are available to all UK organisations. We would not necessarily say within those that they should go particularly to Scottish, Welsh or Northern Irish, or indeed northern, companies.

If I take an example—something we announced quite recently—the UK Games Fund is a prototype fund run out of Dundee by Abertay University, which is regarded as one of the leading universities in supporting games development and training. It is a relatively small fund. It is a £4 million fund, but it was the university’s idea. We ran it in the last Parliament and it was very, very successful. We are now running it again, at its instigation, because we were so impressed with what it did. That would be open to all UK companies but, to turn that around, there would obviously be no barrier to any Scottish company accessing that fund.

That would go across the piece in terms of the other national funds, like the Heritage Lottery Fund and, clearly, in terms of whether you call it a fund, there are the tax credits that are, in effect, a fund that people can access when they are making a film or television. I was personally delighted that the first production to take advantage of the television tax credit was filmed in Scotland—“Outlander”. I think Sony Pictures Television was doing it and has been absolutely delighted with their experience. Several major international movies have been made in Scotland recently, such as “World War Z”. My understanding is that the Scottish Government are now looking very, very hard at the infrastructure to support the making of film and television in Scotland. To me, that is a symptom of the success of a national scheme that has had a major impact in Scotland. Now, because of the demand levels, the Scottish Government are saying, “How do we support this more?” and I think that is a great thing.

Q261 Mr Chope: Thank you, Minister, for giving us those examples. Is there any comprehensive data on how these funds benefit different parts of the United Kingdom?

Mr Vaizey: Again, it goes back to the Chairman’s first question, and I think it is a challenge to me that I should take up. I know you have heard from the British Film Institute. It is my error not to ask the British Film Institute for data in terms of, for example, where films that receive certification and tax credits are being made. I think it will be a very useful thing when we take away what I now regard as a work programme from the Chairman, in terms of taking a comprehensive look at the creative industries’ data and speaking to each of the organisations that have a national remit, such as the HLF.

Again, this is me not having the figures in front of me, but I am sure—we all know as MPs that we get letters from the HLF telling us what it funded in our own constituency—that the HLF will clearly have data about what it funds in Scotland. I am sure the BFI will also have data on what films are made in Scotland. It has seamlessly moved on to certifying and television tax credits as well, so it will have data on what television production is made in Scotland. You have given me the opportunity to think more creatively about how we publish that data to show not only how Scotland benefits, but how other parts of the United Kingdom benefit from these national schemes.

Q262 Mr Chope: Thank you very much indeed for that helpful response. Would you be prepared to extend your work programme to cover the area of tax reliefs and how they operate in different parts of the United Kingdom?

Mr Vaizey: Yes, I would.

Q263 Mr Chope: Thank you very much. When the creative industries tax reliefs were drawn up, what consideration was given to the differential benefit they might have across the United Kingdom?

Mr Vaizey: We drew them up as a national scheme, but we were aware, for example, that with the television tax credits, to a certain extent, we had Northern Ireland to thank, even though Scotland was the first part of the United Kingdom to benefit. The making of “Game of Thrones”—of which I am sure obviously all members of the Committee are devoted fans; if I was a fan of “Game of Thrones”, I would make lots of analogies about its leading characters, but I have not seen it—has been so successful in transforming the creative economy in Northern Ireland and effectively creating a television ecosystem in Northern Ireland. It was one of the factors that led us to say that we wanted to support. High-end television production is now on a par with high-end film production so, in that sense, that was a factor in our thinking, as was, obviously, the commitment of the Scottish Government and Scotland to film and television production.

Q264 Mr Chope: Has any consideration been given to varying the rates of relief available in different parts of the United Kingdom, particularly, for example, everywhere outside the M25?

Mr Vaizey: No.

Q265 Mr Chope: Do you think it would be a good idea to do that?

Mr Vaizey: I am happy to entertain the idea. At the moment every part of the United Kingdom to a certain extent stands on its own two feet, so you get different things from different areas. It is obvious that London is the first port of call for a lot of film and television production. That is partly to do with facilities, such as obviously having Pinewood, but you can also spread out through a city, so that is issue No. 1.

Different areas of the country will be proactive in trying to attract this investment. Screen Yorkshire is a very good example of a regional film agency that has been very proactive in securing production. Similarly with Scotland, you would have seen “World War Z”. The city of Glasgow would have been very proactive in trying to attract that investment, and Film London—which is a slight misnomer because we have given it the responsibility to support inward investment throughout the United Kingdom—had experience of working with film companies that wanted to film in London. We did not want to reinvent the wheel, so it now does that all over the country. You would get individual cities or councils working with film production companies to make life as easy as possible for them, and Glasgow is a very good example of a city that is able to do that.

Q266 Chair: This Committee has had evidence from PACT and John McVay talked about the impact of tax credits in Scotland. He did not use the word “negligible”, but there is a big differential because of the fact that although we have these splendid location shots, there is no studio. Is there any sense that you could recalibrate the way you look at tax credits and

perhaps recognise the different and distinct requirements of Scotland when it comes to distributing them?

Mr Vaizey: No, because I think that is an infrastructure issue. I was alluding to what the Scottish Government are looking at and I know it is a very live debate in Scotland. Certainly when I was up in Scotland in August, very much part of that debate was providing the kind of facilities that high-end television and film production need, which include studios. But we have not given Pinewood or any other film studio location in England a particular break; it is just that that is where the facilities are. In fact, Pinewood would have a wry smile because it had a nightmare trying to get its planning through to expand, which it is now successfully doing.

I would encourage the Scottish Government to work with developers or to build these kinds of facilities, because my sense is that the film tax credit is not going away. Certainly while we are in government, it will stay as it is. The film and television industry now regards it as a highly stable, easy to understand and very well-run process, thanks to the BFI. Therefore, I think it is a good bet for the Scottish Government to get behind supporting a film production facility near Glasgow or Edinburgh.

Q267 Chris Law: I am glad you have fixed on video games. I am the MP for Dundee, so it is great to celebrate that, and I want to focus again on tax relief, particularly in the video games industry. I have been learning about this global games industry, which is now set to be worth £63 billion by 2018, an increase from £45 billion in 2013. You will obviously agree that we must all do what we can to capture a bigger share of that growing market. I would also like particularly to welcome what you have just touched upon, which is the £4 million games prototype fund that Paul Durrant is currently administering from Dundee, which has become a centre of excellence for video games.

My question, however, relates naturally to video games, on which my colleague, Joe FitzPatrick MSP, has successfully campaigned over a number of years. I would like to ask whether an analysis has been carried out of those companies that have benefitted from video games tax relief since it was introduced in August 2014. Can the Minister offer an assurance that the funds have been evenly spread across the UK and, in particular, can there be a guarantee that cities like Dundee, with their world-class skills and experience, are receiving their fair share?

Mr Vaizey: As I say, it is a demand-led tax credit, like the other tax credits, so we rely on companies to come forward with appropriate games that would qualify for the tax credit. I am sure that Creative Scotland is doing a fantastic job alongside the BFI in attracting investment. I think it is important that we reflect, for example, if you think about all the moving parts in this, that there is a role for UK Trade and Investment in going out and banging the drum for the UK as a place to invest for video games, so it is important that UKTI has a comprehensive understanding of what opportunities are available in Scotland. If I came back to you in a year's time and said, for the sake of argument, that 90% of the tax relief had gone to England and 10% to Scotland, you might, given Scotland's expertise in games, raise an eyebrow. If I then said that that was because we rely on people to come forward and say, "Can we have a tax credit?" I don't think that would be good enough. We should also then drill down and say, "Well, is UKTI doing enough when it is going on trade missions to take Scottish companies with them? Is it doing enough to tell potential investors about the opportunities to base themselves in, say, Dundee? Are the BFI, Film London and others doing enough to flag up Scotland? Are the relationships between those

organisations and Creative Scotland strong enough to ensure that that is the case?” That would be where the challenge would lie.

Q268 Chris Law: There is one other question I want to ask regarding tax relief. I know that both Christopher and Peter have been asking, but I also want to ask whether you would consider having a cost-benefit analysis of the merits of varying the rate of relief in different parts of the UK to ensure that cities such as Dundee can compete like the likes of London.

Mr Vaizey: I am certainly happy to take away that thought. What I would counsel the Committee about is that, as I said earlier, the great thing about tax credits—the reason why I think they are so effective—is that they are very simple and clear to understand. My initial instinct would be that if we want to spread the impact of tax credits, it is up to the individual organisations, such as UKTI and the BFI, to make sure that they are doing a job to represent all parts of the United Kingdom.

If we went down the road of trying to vary the tax credit, it could end up causing an element of confusion. I do understand the point about differential reliefs. If you were able to get an extra x% as a tax credit if you decided to make your film in Glasgow as opposed to London, I could understand why that might skew demand towards areas that may or may not be underrepresented.

Q269 Chair: This would be more a matter for the Treasury, but is there a view in DCMS that given the success of tax credits, as you have quite rightly stated, they could be extended? We heard from UK Music that there was perhaps a case for extending them to music production, for example. Is that something that DCMS would be prepared to look at and perhaps suggest to the Treasury?

Mr Vaizey: Yes. I think the Chancellor is rather a fan of tax credits. I started my ministerial career with his first Budget when he ruled out the video games tax credit as badly targeted and the wrong solution but, thankfully, he did keep the film tax credit. Then by 2012 we started on a roll and went on to television. Then we went to animation and then we went to video games. Now we have gone to orchestras and theatres—who knows where it is going to stop?

Chair: That is a very helpful response.

Q270 Chris Law: With regards to immigration, over the last few months we have been repeatedly told that current immigration rules act as a barrier to attracting international talent. Only few weeks ago, at the Committee’s meeting in Dundee, renowned Dundee technology developer Chris van der Kuyl warned that foreign students who come to study video games development are “fairly heavily leant on to get out of the country after graduating”. Can you assure this Committee that the UK Government will be careful to avoid adopting what might be seen as a hostile approach towards migration which, of course, could help to grow the sector in cities like Dundee, and create local employment and boost local economies?

Mr Vaizey: Obviously, I think the whole issue of immigration is seen in the wider political context of the much wider debate about immigration in general. We are still part of the single market and free movement of people, so obviously UK companies can tap into a pool of talent throughout Europe. I am sure it is your experience as much as mine that,

when you visit a video games company, you will have pretty international experience in terms of the range of people employed there. We certainly do try to work through organisations like Tech City, for example, in keeping immigration policy up to date in terms of skilled immigration, in terms of shortage occupations and in terms of tier 2 visas, and I personally want to keep doing that.

In terms of the student issue, that again plays into a much wider political debate about how we measure the level of immigration. There are certainly two sides to that argument: in terms of the overall number, as opposed to some people arguing that, clearly, if people are going to come and be educated in this country, there is some merit in keeping them so that they start contributing in other ways to our economy once they have a qualification.

Q271 Chair: We have heard so much in the evidence about immigration concerns. Particularly in the higher education sector, we seem to be responsible for training some of these students who are going into the creative industries. We are training them to a high standard and educating them to the best of our ability only just to throw them out so that they have no opportunity to contribute to our economy or to take part in these growing dynamic sectors. Do you hear that in the DCMS and do you make representations on behalf of the sector to the Home Secretary when it comes to those sorts of issues?

Mr Vaizey: Yes, we have a close working relationship with the Home Office and we work quite closely with the Migration Advisory Committee. I was seeing a representative from the creative industries last week and we talked about her concerns on immigration and getting in skilled workers. I personally find that the Home Office is pretty open to representations. I think that the Migration Advisory Committee is due to report in December on some of these issues. It does make strong representations on behalf of the sectors we represent, because we want them to access the skills they need to grow companies in the UK.

Chair: A useful response again, Minister.

Mr Vaizey: Thank you.

Q272 Chris Law: I want to turn to the BBC. We took some evidence recently after looking at their annual review. BBC Scotland's analysis from audience councils and focus groups found that only 48% of people in Scotland thought the BBC was good at representing their lives in news and current affairs, compared with 61% in England and Northern Ireland and 55% in Wales. For example, at this Committee's recent meeting in Dundee, BBC Scotland's director, Ken MacQuarrie, conceded that the BBC had made some mistakes in its coverage of the independence referendum, which is something that I am corresponding with him about just now.

I wonder if you may like to hazard a guess as to what those mistakes might have been, and if you can give an assurance that as the BBC charter renewal process continues, there will be a relentless focus on ensuring that the BBC's political coverage is fair and balanced, and that it reflects the breadth of opinion across Scotland and, of course, the UK?

Mr Vaizey: I don't think it is my place to hazard a guess as to what mistakes the BBC made, and I think the BBC probably would like as little political interference as possible. Clearly, as the nation's favourite television station, the BBC is a matter of considerable

debate up and down the country. Having moved on from the Scottish referendum that put BBC political reporting in the spotlight, we are now moving on to the European referendum, when those with strong views about Europe will obviously be keeping the BBC under careful watch to make sure it reports on the European referendum in an objective fashion.

If I could speak out of turn and on a personal level, I always found the BBC's coverage to be very balanced and fair. I always found that because, if every single person of every political complexion complains about the BBC being biased, it is probably doing something right.

Q273 Chris Law: I want to follow on from that and ask you what consideration has been given to a Scottish governance proposal for a more federal structure for the BBC. Does not the charter renewal process provide an ideal opportunity to look seriously at devolving the powers of a broadcaster to Scotland to ensure that the BBC meets the needs and aspirations of the people of Scotland?

Mr Vaizey: We obviously want to consult closely with the Scottish Government. We have a memorandum of understanding that requires us to consult, and also for the draft charter to be laid before and debated by the Scottish Parliament, but it is not our intention to devolve the BBC. We want to keep the BBC as a national broadcaster and as a reserved matter.

Q274 Chris Law: Broadcasting is the only part of the creative architecture in Scotland that remains defiantly reserved and, as a result, Scotland has gone down from second after London and the south-east to fourth in terms of productions and with outputs we are now behind Manchester. We are behind the Cardiff-Bristol city region when it comes to these things. Surely, in light of all this, there must be more that the UK Government can do to help to stimulate the sector when it comes to broadcasting. I hear you clearly that the devolution of broadcasting is not something to be considered, but what more could be done to ensure that our sector could be boosted and to claw back some of that competitive advantage, which we have apparently lost over the course of the last decade?

Mr Vaizey: If you are speaking about BBC spending, my understanding is that since 2008, spending from the BBC has doubled in Scotland. Also, for the first time in its history, the BBC is spending more outside London than it has before. Clearly in terms of where the BBC has a presence, whether it is Cardiff, whether it is Salford or whether it is Glasgow, it has, I think, a major impact on the wider broadcasting ecology in those areas. I would obviously encourage and support the BBC in moving productions to different parts of the country.

I took part in a very lively debate with Midlands MPs, who want more spending in Birmingham, and there was a recent announcement from the BBC about some of the facilities—I don't think it is technical production—that it is moving to Birmingham. Certainly Tony Hall is very alive to the BBC being a national broadcaster and, therefore, being represented in all parts of the country, but obviously if there is more the BBC can do, I would encourage the Scottish Government and other Scottish policy makers to make representations to it.

Chair: Thank you.

Q275 Kirsty Blackman: The floor that was introduced previously for out-of-London production is appreciated, but some of the evidence we have taken has suggested it has not worked as well as it could have done in terms of what it was supposed to achieve. I also appreciate the devolution in terms of what the Scottish Government are going to be able to do in terms of the BBC. That is useful and appreciated. In terms of the specific problem that Chris Law raised—people in Scotland feel the BBC does not adequately represent them and they cannot see people like them on the TV—I understand that the BBC needs to be a national broadcaster, but there is maybe a specific issue there that is not replicated in the midlands in terms of the surveys the BBC has done. Whether that is about more spend in Scotland or whether that is about shifting the focus of some of the stuff that the BBC does around Scotland, it would be useful for the UK Government to have an eye on that. That is not really a question, I am sorry.

Mr Vaizey: Would you like me to answer it even though it is not a question?

Kirsty Blackman: If you could that would be great.

Mr Vaizey: I agree with you in the sense of the principle that I took from what you were saying: the BBC, like other broadcasters, needs to look very carefully at whether its programmes, programme makers and commissioners reflect the UK population. That includes people living in different regions, whether it is the south-west, the north or the midlands. It includes people living in the nations, whether that is Wales, Scotland or Northern Ireland. It also includes, of course, people with disabilities, and it includes black and minority ethnic. We are a multicultural society now. All those issues need to be represented, and I think a perfectly fair point to challenge broadcasters on is whether or not the different voices in the United Kingdom are being heard in programmes or, indeed, are commissioned as programmes.

Q276 Mr Chope: I am sure the Minister does not have a closed mind on the issue of BBC bias, but in order to make sure that his mind is opened even more, may I commend to him the report by Professor John Robertson of the University of the West of Scotland into systematic bias in the run-up to the Scottish referendum? He was suggesting that there were many more reports in favour of the status quo than in favour of separation. He identified in his report a lot of subtle ways in which a different message can be delivered by the broadcasters that superficially might appear to be even-handed but, when subject to detailed analysis, shows inherent bias.

Mr Vaizey: I will certainly read that report. I would be interested to see a similar report on Sky News and on ITV to see what bias they had. I reflect on what it must be like to work in BBC News and the amount of grief you get from politicians. They probably thought they had it bad when Alistair Campbell was in charge but, certainly, it does not seem to be letting up and it must be a very difficult tightrope to walk. Of course, when we are listening to “Any Questions” or “Question Time”, we all probably think sitting at home, depending on which political party we support, “I cannot believe the entire audience is made up of members of—” fill in the blank.

Q277 Chris Law: I want to follow up on Chris’s point. It is not about us as politicians, is it? It is about audience satisfaction, and to have 48% of people in support of BBC News current affairs in Scotland is, quite frankly, deplorable. I want to ask—going back to my initial point

about charter renewal—can we look at a way to make sure it is more robust in how it is measured, and how it can be brought up in terms of its quality so that it reflects the whole voice? To go back to Professor John Robertson’s work, which I am also happy to pass on, he did a more recent report about the general election in Scotland and included in that STV. He found that almost 5:1 STV was more balanced than the BBC in the coverage of the general election, so I wonder what your thoughts are on that.

Mr Vaizey: I think I am beginning to get myself into a bit of trouble with my temptation to make flippant remarks. Clearly, whatever the BBC was doing during the Scottish election, either it was just carrying wall-to-wall SNP coverage or it did not have any impact on the election, given the election result for the SNP. If the news in Scotland carried by the BBC was biased, it is hard to know what the impact was, considering your tremendous election result. I think that the BBC takes the issue of bias very, very seriously. I think it reflects very deeply on it. It goes without saying that the BBC has made some terribly serious mistakes on a whole range of different news issues, some of which were purely political and some of which were not purely political, but I do think the BBC does its best to try to reflect all sides of the argument.

Q278 Chair: You are quite welcome to make any remarks that you want, Minister, when you are in front of this Committee. We will perhaps move on from that—thank you for the answers on the BBC—to Baroness Neville-Rolfe, because obviously intellectual property is another issue that is exclusively reserved to Westminster. Obviously, as a Minister, we have not had a chance to see you in the House of Commons because you are in the House of Lords. Scottish Members of Parliament, obviously—the vast majority of us now—don’t take places in the House of Lords, so we have not had an opportunity to question you about the operation of the Intellectual Property Office, which is a great disappointment to me and I know to several of our Scottish colleagues. Basically, you have this UK-wide responsibility. How do you discharge that responsibility in Scotland and how would we be aware of the work of you as a Minister in the operation of the IPO in Scotland? How is it visible to us?

Baroness Neville-Rolfe: I tried in my opening answer to your earlier question to talk through some of the IPO work in Scotland. The IPO conducts policy and administration for me in the intellectual property area; it links in Wales. As I have already stated, we value hugely, to be honest, the creative contribution that is made by the Scottish industry. IP is about knowledge and knowledge-intensive industries, and the creative industries are one of the very largest chunks of that. On games, I understand that 25% of UK video games companies are in Scotland, which I thought was interesting.

Q279 Chair: Could I suggest—this is just a personal observation as someone who has an interest in intellectual property issues—that it seems remote, is my view, with regard to the IPO, and certainly the way this Government have discharged their responsibilities for intellectual property? I think we struggle to garner interest in IP-related issues and what you must be thinking about doing is engaging a bit more and doing a bit more visible work within Scotland. I would like to hear a couple of suggestions about how we may be able to achieve that in Scotland.

Baroness Neville-Rolfe: I completely agree with you. I think it is an issue of intellectual property more generally—not just intellectual property in Scotland—and people think of it as a rather nerdy subject. They do not understand that knowledge-intensive industries contribute such a lot to the economy. Obviously I am sure we could do more in Scotland.

Indeed in the new year we are planning some roundtables on the aspects of the digital single market related to IP, which is going to be very important, and the copyright proposals coming through in Brussels that we expect in December. That will be a good example, it seems to me.

I come from business, as you possibly know. I even used to be chairman of Dobbies Garden Centres in Scotland.

Mr Vaizey: Were you? I did not know that.

Baroness Neville-Rolfe: Yes, so I have some links.

Chair: No planted questions now.

Mr Vaizey: So you know all about growth?

Baroness Neville-Rolfe: I know a little bit about growth in Scotland of a green kind.

It seems to me that, in addition to the administrative arrangements, which I described through the civil service and through the splendid patent libraries, we probably need to do a bit more to engage. As my colleague was saying, the actual bodies tend to be UK-wide. There was a good report, *Creative industries—route to finance* that came up and, when looking at it in preparation for today, I was so struck by how many Scottish interests were mentioned in it. We are working, for example, on trying to get IP reflected in the balance sheet—that strategic work—because data and IP are not properly reflected in the balance sheet now and that means that people cannot borrow as much money as a start-up as they need to. That sort of cross-cutting work is really important to you in Scotland—to us in Scotland.

Q280 Chair: Thank you for that. We have also secured a number of concerns about the digital single market and the UK Government's approach to engaging with Europe on behalf of the Scottish creative industries and the IP-rich industries that we have in Scotland. A number of issues have been raised by the audio visual sector because of their concerns about where we are going with things like portability and territoriality. Are you aware of these particular concerns and issues, and what are the UK Government doing to make sure that particularly the audio visual sector, but the rest of the creative industries sector, are being properly looked after in the negotiations?

Baroness Neville-Rolfe: We are aware of the concerns, although obviously the roundtables will help us. If I could just say on portability and territoriality, I think we see an opportunity from the digital single market. It is a potential 500 million people across the EU. We have strong creative industries; that is an opportunity. On portability, we see value in having a facility to travel with your iPad, so you can pick up your football or your BBC or ITV. We want that to happen through the digital single market. Of course we are passionate about the creative industries, as the Minister has explained so well, so what we are worried about is individual features of regulations that might cool the endeavour or hit our creative industries. It is a little bit different in Scotland, but I think a lot of the issues are very similar.

Q281 Chair: What we have heard, particularly from the film industry and the film sector in Scotland, is about the funding and structural arrangements for film, which are based on

licensing arrangements in different territories, and the bigger impact that this is therefore having when we are regularising the market across Europe on UK content. Are you as a team doing all you can to ensure that Scottish film particularly, but film right throughout the United Kingdom, has been properly looked after and represented in those discussions and conversations that you have with European colleagues?

Baroness Neville-Rolfe: I think there is a broader question that Mr Vaizey may want to comment on, but I would say that we work very closely together across DCMS, trying to bring in the experience of BIS, which has a lot of experience on EU negotiations—I myself have done EU stuff for about 40 years—to make sure that the concerns of the audio visual sector, in particular, are protected.

Mr Vaizey: Your question, Chairman, is about territoriality, and we support territoriality. We do not want a top-down system of European licensing—we would resist that. We want the industry to make its own arrangements in order to get the right financing that it needs. We do support portability and I think that the industry has come with us on that. I have been particularly pleased, for example, with the progress that companies like Sky have made in terms of providing portability. I think the role of policy makers to a certain extent is—bizarrely, people think politicians are out of touch—to represent the interests of the consumer and to say, “This is what the average person wants. If they buy content legitimately in one territory, they should be able to download and access it another territory”. That is what we want to achieve, but we do not want to undermine the licensing model.

I also think that the fact that Baroness Neville-Rolfe is now a joint Minister with DCMS is an important move. As you know full well, our Secretary of State at DCMS is passionate about intellectual property. He was very vocal on the issue when he was Chairman of the Culture, Media and Sport Committee, and it is partly at his instigation that Baroness Neville-Rolfe is now a joint Minister, because he recognises the need for the creative industries to work as closely as possible on the agenda of intellectual property.

In terms of the IPO’s presence, I think that it is a good point to say that Governments are not very good, frankly, at engaging on consumer issues. The IPO was set up to do a particular job. We do know that the industry itself is financing the Creative Content campaign to encourage people not to download illegally and to show them the impact of that, but it is important that we consider how best to take what are sometimes quite complex issues and make them as mainstream as possible and engage. Hearing what Baroness Neville-Rolfe is planning to do, in terms of roundtables and so on, is a good thing, and I think the different moving parts—not just the IPO, but other organisations, whether that is Creative Scotland or indeed UKTI—can become part of that conversation as well.

Q282 Chair: Thank you for that. We are of course due to get the devolution of copyright tribunals, which is not without difficulties and issues, and we have received quite a bit of evidence on this. UK Music raised concerns that this might create difficulties. Are you aware of what is happening with the devolution of the copyright tribunals? How do you see this working and what are both of you, as Ministers, doing to ensure that we get the successful devolution of this and that it is made to work, given that the whole rest of the infrastructure with copyright and intellectual property remains reserved? How will this all work itself out?

Baroness Neville-Rolfe: I can see what the industry said, but I think this is our delivery on the Smith Commission. It is absolutely right that the Scots should decide how they want to run the copyright tribunals and also how to link in, so that there is a sort of consistency between the UK and Scotland. Scottish law is different, so it is also entirely logical that the tribunal should be separate for that reason. I have to say, when I go around the world, people are very jealous of us having the IPO, because the IPO brings together all these different bits of IP and is therefore able to be a co-ordinator in these important areas. My own view is that I look forward to the copyright tribunal working, and hopefully in a way that is pretty similar to the UK, because there are no boundaries for IP, especially in the digital world. It is really a global issue, increasingly.

Q283 Kirsty Blackman: Just on that, was consideration given to devolving all of IP policy or just copyright tribunals, because that is what was said?

Baroness Neville-Rolfe: We felt that the logic of the question was should there be a separate IPO, but intellectual property matters are increasingly, if anything, European issues. The European Patent Office is becoming more important. I was in Spain recently, and it does not make a lot of sense on these highly technical, internationalised issues to have lots of individual agencies, although that might have attractions. What you obviously have to do is to make sure that you link in well and I think the sort of questions that you have asked today are on the money on that. You can obviously see that we are planning more, as part of more outreach on intellectual property. It sounds from today as though it should start in Scotland and I look forward of that. As I am a Lords Minister, I do not get the opportunity to talk to you so often, so obviously it is good to get the introduction.

Chair: Indeed. Dave Anderson has a couple of questions about rurality and broadband.

Q284 Mr Anderson: The issue—an obvious issue, given the nature of Scotland itself—is about access to broadband across the country and the huge needs of small numbers of people. It is quite clear to us that if this is not addressed properly, it is not just going to have an impact on people in terms of jobs and their day-to-day living, but the social fabric of them all, particularly on the islands. We have information that shows that in terms of the investment into broadband, particularly super-fast broadband, while there has been a 40% business contribution to development in Scotland as a whole, there is only a 13% business contribution towards development in the islands and highlands. The responsibility lies with the UK Government for this, so how are we are going to make sure that between us we up our game on this? It is a huge issue for the place. Somebody said to us that this as important as water and electricity. Now, we are probably exaggerating this piece, but I do not think they are a million miles away from being right on this.

Mr Vaizey: We agree with you, Mr Anderson, and that is why the Prime Minister has introduced the universal service obligation, which we are going to work towards over the next two years. He said in his remarks, I think, that people regard their broadband as being as important as electricity and water although, interestingly, not everyone has access to electricity and water, or indeed gas. We work very closely with the Scottish Government on broadband delivery, however. We have made £120 million available and that has been matched by the Scottish Government, and there is additional money from BT as well, obviously. The programme is run by the Scottish Government and, as you know, we have increased our targets. We originally had a 90% target and now we are going to 95%.

The Scottish Government will no doubt get similar grief to what I get, which is that, by definition, some people will not be in the programme and they will quite rightly express their concerns forcefully about that. The reason why we have effectively devolved the implementation is because we understand the Scottish Government will know much better where the best places are to spend the money most effectively to get to the most people. I think more than 500,000 premises will benefit at the end of the programme, and almost 300,000 have already benefited out of that total of 500,000-plus. The first phase will complete roughly this time next year, so I think it is going very well, but obviously if you are in a remote community and you kind of know you are at the end of the line, it is very, very frustrating.

There have been some amazing engineering projects. For example, getting to the Hebrides with the undersea cable that was put in to get there was a pretty substantial and very successful engineering project, which perhaps we do not shout enough about. When I say that the USO is going to take two years, it is because it is potentially a big imposition on telecoms companies and we have to consult on it and so on. But when it is in place, what it means is that anyone in the country can demand a fast broadband speed and they will get it, so that is good news.

Q285 Mr Anderson: Can we quote you on that?

Mr Vaizey: I have no doubt at all that will be quoted back at me ad infinitum.

Q286 Mr Anderson: How did you come to the breakdown of who would fund what? My understanding is that the UK Government put in about £100 million—these might be older figures—and the Scottish Government put in their contributions and then there are local councils. How was that decision reached?

Mr Vaizey: We had a sum of money and we allocated it around the country. It was based on need, in the sense that, first of all, the money could not go to cities because of state aid, so we could not give £50 million to London, because London would not get state aid for broadband, but I am pleased that BT is now firing up a lot of London that has been left behind. We would look at somewhere like Scotland which—I hope I am not speaking out of turn here—I think had more money allocated to it than would have been the case if it had just been purely on per head of population, because obviously Scotland's needs, to a certain extent, are greater, because there is a much more rural element there. It was based on how far is commercial broadband rolled out in any given area—in the south-west, the north-east, Scotland and Wales—and how much money would therefore be needed to reach the 90% target, and would that be matched by the local authority or the devolved Administration?

Q287 Mr Anderson: One quick one at the end then: we are told that modern apprenticeships are run by Skills Development Scotland, but the apprenticeship levy has gone up on a UK-wide base. Can you tell us how that is going to work in Scotland and will the levies raised go towards Scottish apprenticeships, or will they go into a central pot?

Mr Vaizey: I am afraid I cannot tell you off the top of my head. It is the Skills Minister, Nick Boles, who is responsible for that area of policy. I think we are still consulting on the apprenticeship levy. Are you—

Baroness Neville-Rolfe: We are, yes.

Mr Vaizey: It is certainly my experience in engaging with business on the apprenticeship levy that people are keen that the levy that is raised from them—whether it is a country like Scotland or a large business—is spent in their area, and no doubt Nick Boles will be receiving those kind of representations when he is considering the final shape of the levy.

Q288 Chair: This is an issue that has come up quite a bit in terms of evidence. I think what the Committee might do is write to the BIS Minister to see how this is going to be resolved if there is not a view from DCMS and obviously not from IPO. But I think this is something that we do need to get resolved, because there is a real sense of feeling like we might lose out when it comes what looks like quite a generous scheme, so that is something that we have to have a further look at.

Can I just ask just one last question about the Creative Industries Council? I have been involved in creative industries issues. I have taken a great interest for my 14 years as Member of Parliament and yet I know very little about this body. Apparently it has a huge remit, in which it looks after all the Arts Councils of England, but there is no Scottish membership on this. I know Janet Archer attends as an observer, but the Creative Industries Council touches on many reserved issues, particularly the area covered by Baroness Neville-Rolfe when it comes to intellectual property, and also other issues to do with creative industries. Why is there no Scottish representation on the Creative Industries Council?

Mr Vaizey: I think it is a fair point. I have just reduced the membership of the council quite substantially because, as you can imagine, the creative industries has a hugely wide remit, so we had about 50 people turning up and it was even more unwieldy than the Cabinet. The other problem was they were not split, so one suggestion was that maybe you have the Screen Industries Council and a Service Sector Council, like for advertising and so on, but they all want to stay together. That is a good thing. We have invited the devolved Administrations to come as observers and we obviously asked Janet Archer to come as an observer. I am prepared to countenance formal representation provided you do not ask to co-chair it because at the moment there are three chairs of the council and, if we end up with six chairs, we might as well close it down.

Chair: Again, that is a very helpful answer. This is something that has emerged and we know that Creative Scotland would be interested in ensuring that it had proper membership when it came to this body because, as you have identified, it does cover a range of the reserved issues. I know that Scotland is looking carefully at what is happening in the Creative Industries Council, and it is certainly an issue that has arisen much now in our evidence.

Unless my colleagues have any further questions or anything has been missed, I want to thank both of you for coming along today, particularly the Minister of State, who has been very helpful in some of his responses, which I think have been well noted by this Committee. This is the last of our evidence sessions, so we are grateful that we have ended on what seems to be quite an encouraging note. Thank you both for coming along this afternoon. If there is nothing else that you want to say, we will bid you a good afternoon and thank you.