

Netflix—written evidence (BFF0068)

House of Lords Communications and Digital Committee inquiry into BBC future funding

Netflix in the UK

1. Netflix is a streaming subscription video on demand (SVoD) service that allows customers to watch a wide variety of TV shows, films, documentaries, and more over the internet. We do not offer user-generated content, live programming, sports, or news. Our content is available on-demand and not scheduled as it is on linear channels. We are a global service, with over 220 million subscribers in 190 countries, with the UK being one of our largest markets.
2. We launched our service in the UK ten years ago and we're proud to have made a home here. The UK is now our second biggest production hub outside the US and we make a significant contribution to this economically important and flourishing sector. We are committed to the success of the UK, and we are investing for the long term with a new London HQ¹ to accommodate our growing UK workforce. Alongside long-term leases on studio space at Longcross, Shepperton and Segro Enfield and Hayes, we invest around \$1 billion a year in UK content with filming taking place across the country. Taken together, our original productions and co-productions create over 5,000 jobs each year for cast and crew across the UK.
3. Some of our most popular shows are made across the nations and regions of the UK, including *Sex Education* in Wales, *The Crown*, partially shot in Scotland, and *Bridgerton* in the South West - the latter being an especially rich creative hub for our business which generated £132m of economic impact over the last two years.² Other shows with substantial production outside of London include *The Witcher*, with filming locations including Yorkshire, Durham and Cumbria; *Stay Close*, filmed around Manchester and Blackpool, *The Dig* in Suffolk, *Outlaw King*, the largest feature film to be made in Scotland to date and *Havoc*, one of the biggest films ever to be produced in Wales. We also make a number of shows in and around London including *Top Boy*.
4. Since 2019 we have appointed numerous UK-based commissioners overseeing scripted and unscripted content, including drama, comedy, factual, and animation - all of whom built their careers in the UK film and TV industry, including with the PSBs. As a result we've diversified from scripted drama and film into an increasing variety of UK-produced content, from

¹ <https://www.cnn.com/2020/10/09/netflix-is-reportedly-set-to-triple-london-office-space-with-new-hq.html>

² <https://www.bbc.co.uk/news/uk-england-somerset-59175570>

natural history programming like *Our Planet*, narrated by David Attenborough to our first children's animation, *Robin Robin*, made by the talented Aardman Productions. The decentralised nature of our operations, both structurally and culturally, mean our executives have significant creative and financial autonomy when it comes to making the shows that inspire and excite them.

5. We aspire to be champions of British content, talent and storytelling. We also believe we're uniquely placed to make it globally accessible, finding and building new global fanbases for British content and emerging talent - such as the writer Laurie Nunn and stars of *Sex Education* - by opening it up to an audience of over 220 million. At the same time we empower our British audiences to discover stories from around the world - like *Lupin*, or *Squid Game* - which they might otherwise have never had the chance to watch.
6. The fact that our business model is not dependent on achieving a specific size of audience at a particular time of the day means we can take greater creative risks and invest in a broader range of content that is reflective of the diversity of our membership. As a 2019 Ofcom report noted "Netflix [is] mentioned by LGBT people, people from minority ethnic backgrounds more broadly and younger audiences as providing good examples of authentic portrayal."³ Nonetheless it is worth emphasising that we do not collect any information regarding our members' gender, race, ethnicity or age.

Netflix's relationship with the PSBs

7. In general the PSBs and the streamers have mutually supportive roles in the UK AV ecosystem. As the recent pandemic demonstrated, PSBs have a vital part to play in bringing the nation together and keeping the general public informed; their enduring appeal and strategically important role being reflected in the viewing figures they commanded during this time. According to Enders Analysis data, Netflix represents 7% of the total amount of UK video viewing, with broadcasters accounting for 71% overall, of which the BBC accounts for 22%.
8. SVoD services do not generally offer the same mix of content as broadcasters, and as well as being global leaders in a wide range of programming areas including news, sport, live entertainment, events of national importance, soaps, and educational programming, the PSBs continue to be essential to maintaining and growing the creatively and commercially dynamic production landscape here. Indeed, this is one of many reasons that Netflix has chosen to make the UK its home. According to PACT's annual UK Television Production Census, over the past decade the UK PSB networks have consistently accounted for more than 80% of all UK primary commissioning spend among independent producers.

³ https://www.ofcom.org.uk/data/assets/pdf_file/0022/124078/report-bbc-representation-portrayal.pdf

9. Commercially, Netflix has been one of the PSBs' biggest customers in recent years, licensing extensive catalogues of UK content from producers for exhibition in the UK - often on a non-exclusive basis - and around the world, including titles like *Line of Duty*, *Sherlock*, *Luther*, *Happy Valley*, *Peaky Blinders* (all on BBC One), *Benidorm* and *Marcella* (ITV), and *Derry Girls* and *The Great British Bake Off* (Channel 4) - research from Ofcom in 2020 estimated a total of 1,276 hours of content on Netflix from UK PSBs.⁴
10. In total between 2016-20 we invested around \$400m in PSB-originated content - roughly equivalent to c2% of PSB expenditure aggregated over the same period. But we also value them deeply as creative partners, as our ongoing commitment to co-producing with them proves - and as part of our continuing investment with PSBs we've co-financed over 100 scripted and unscripted titles which premiered on UK channels.
11. Building on the success of past projects including *Black Earth Rising*, *Bodyguard*, *Collateral*, *Kiss Me First*, *Troy: Fall of a City*, *Wanderlust* and *Watership Down*, more recently the following co-pros have all premiered on the PSB channels: *The Serpent*, *Dracula* and *Giri/Haji*, each with the BBC; as well as *Feel Good* and *The End of The F***ing World*, both with C4. Co-productions in the non-fiction space include *Glow Up* (BBC) and *Crazy Delicious* (C4). We have also announced our first natural history co-production with the BBC, a three-part series with Sir David Attenborough called *Life In Colour*, which will explore how colour plays a vital role in animal interactions using new cameras built specifically for the show.⁵
12. This partnership across a growing number of formats underlines the mutually beneficial model it offers - and not only for Netflix. Research in 2019 highlighted the increasing volume of co-commissions year-on-year from 16 in 2014 to 30 in 2018, with the BBC consistently the biggest co-commissioner over this period.⁶
13. One consequence of this close and mutually beneficial set of commercial and creative relationships is demonstrated in Ofcom's own five-year review of Public Service Broadcasting (2014-18), which concludes that the 'second window' on streaming services helps drive engagement with PSB content, particularly among 16-34 year olds who are more likely to watch BBC content on SVoD services than through BBC iPlayer and that on average, content from the BBC, ITV and Channel 4 made up 3% of SVoD catalogues, but 8% of viewing in 2019. This can have a secondary benefit for the PSBs as archived box sets on SVoD can also draw audiences into new series on PSB channels by allowing viewers to discover content and catch up on old episodes before the latest series launches on linear.⁷ A clear driver of the rise

⁴ https://www.ofcom.org.uk/data/assets/pdf_file/0013/192100/psb-five-year-review.pdf

⁵ <https://deadline.com/2019/09/bbc-and-netflix-team-david-attenborough-life-in-colour-1202746331/>

⁶ https://www.coba.org.uk/coba_latest/new-era-for-british-tv-drama-as-co-commissioning-reaches-record-high/

of *Peaky Blinders* on the BBC, for example, is due to viewers discovering old series of the show on Netflix.

Investing in the UK creative community

14. Our investments, and those of other industry players, have a multiplier effect throughout the wider UK screen sector. The UK's mixed ecology of complementary and interdependent organisations has resulted in a world-leading and thriving audiovisual industry, of which the PSBs are a fundamental part. The broader framework within which they all operate has evolved over time and is part of a complex and interdependent ecosystem.
15. We perceive our role in this landscape as fundamentally collaborative and additive – one that enhances the whole value chain by bringing more investment, more routes to market, more opportunity to work in the industry, more scope for great stories to get made and more outstanding content for our members to enjoy. In doing so we also want to be a great creative and commercial partner to those we work with.
16. Diverse investment and structured public policy interventions have facilitated the evolution of a rich blend of public and private companies and a successful independent production sector. In particular it has helped to establish a virtuous cycle whereby inward investment has served to extend the UK's production capabilities in terms of both skills and infrastructure and simultaneously stimulated audiences' appetite for high-quality content, fuelling further demand.
17. Despite this buoyancy, there is a significant skills shortage in key roles, posing an increasing challenge to our sector's success. The availability of skilled crew is fast becoming the biggest constraint on the industry's ability to grow. For this reason, Netflix is investing £1.2m a year through our training initiative Grow Creative UK, which will focus on upskilling crew and supporting emerging British talent, especially those from diverse backgrounds, by developing and supporting the careers of up to 1000 people across the UK through its own productions, and initiatives with educational institutions and other partners.⁸
18. Current training programmes within Grow Creative are directed towards production accountants, production management, post production coordinators and supervisors and VFX producers, among others. Other investments include a major partnership with Aardman to support emerging and diverse animation talent; as well as with The London Screen Academy, a free sixth form academy that is redefining creative education. Netflix is BAFTA's main supporting partner for their flagship talent scheme 'BAFTA Breakthrough UK', which identifies creatives from film, games and television

⁷ https://www.ofcom.org.uk/_data/assets/pdf_file/0013/192100/psb-five-year-review.pdf
⁸ <https://about.netflix.com/en/news/netflix-launches-new-training-program-to-develop-uk-creatives>

to receive professional development and global networking opportunities from BAFTA. We also sponsor Women in Film and TV's mentoring schemes in Scotland, Wales and Northern Ireland. These initiatives provide training and opportunities for people at different stages in their career, giving them the tools to develop their skills at the start or to take the next step in their careers.

19. Additionally we are investing at the level of individual productions to provide training, mentoring and other career development opportunities on set. For *Sex Education*, produced by Eleven Film, work experience and traineeships were offered to students at the University of South Wales. This included ten paid work placements (30 week duration) and a full-time rotational training scheme across the Production, Art, Accounts and Location departments for four trainees (68 week duration). Following the success of the graduate placements in season one, Eleven Film arranged for 18 work placements for USW Film & TV School Wales graduates across the whole production for season two. During production, several trainees went on to longer term roles, and a number have since gone on to work on other Netflix series.
20. For *Top Boy*, produced by Cowboy Films, a 'diverse directors' scheme was established in response to the lack of diverse directors in the UK. As part of the scheme, four talented directors looking to move up to the next level were selected to be mentees, and had the opportunity to work on the 2nd Unit as a director for each episode of the show - one of whom, Nia DaCosta, has since gone on to direct the sequel to *Captain Marvel*. For season two the Directors programme was expanded to include producers, DOPs and music supervisors/composers.
21. For *The Irregulars*, Netflix and Drama Republic partnered with Liverpool Media Academy (LMA) and the Liverpool Film Office to create five entrant opportunities for LMA alumni to work on the series across various departments. These are only a few examples: we have trainees on an increasing number of our shows and our ambition is to have opportunities for trainees on all our UK productions.
22. We've also been creating opportunities, nurturing up-and-coming talent and elevating underrepresented stories and voices through our Documentary Talent Fund.⁹ The ten winning films were announced in February, with filmmakers from across the country supported with finance and training to make a short film. We are also partnering with Creative UK on a new programme, BREAKOUT, to offer emerging genre filmmakers the opportunity to make a debut feature for the Netflix service with a budget of approximately £1.5 million.¹⁰ In addition, in 2020 we pledged £350,000 to three creative organisations - Mama Youth, Identity School of Acting and

⁹ <https://www.netflixdocfund.co.uk/>

¹⁰ <https://www.wearecreative.uk/support/film-tv/breakout/>

Million Youth Media - who support, train and develop underrepresented young people.

23. Netflix is also working closely with others in the industry. We have launched a groundbreaking five year partnership with the BBC to develop and fund new, ambitious dramas featuring disabled talent both on-screen and off-screen, to widen the range of stories produced and give disabled writers and creatives greater choice when it comes to the sort of stories they wish to tell.¹¹ We've also partnered with Bisha K Ali on with the Netflix Screenwriters Fellowship, in association with Sky, which is supporting underrepresented screenwriting talent with a year-long screenwriters fellowship.¹²
24. We share the widely-held assessment that the Apprenticeship Levy has failed to help to address skills shortages in the production sector due to its inflexible application. In the short term we are working with Government, ScreenSkills and Warner Bros on an innovative pilot for 20 apprentices to explore a new model for how the Levy can be used to facilitate high-quality apprenticeships across multiple placements on film and TV productions.¹³ Longer-term we remain of the view that a more fundamental review of the Levy is required.

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¹¹ <https://www.bbc.co.uk/mediacentre/2021/bbc-and-netflix-partnership>

¹² <https://netflixscreenwriters.co.uk/>

¹³ <https://www.screenskills.com/insight/news/warner-bros-and-netflix-join-screenskills-in-innovative-apprenticeship-pilot/>