

## **Pact – Written Evidence (AUT0024)**

### **Introduction**

- 1) Pact is the trade association which represents the commercial interests of the independent television, film and digital media production sector in the UK.
- 2) Pact works on behalf of its members to ensure the best legal, regulatory and economic environment for growth in the sector. Pact has over 1000 companies based across the UK and the majority of these are SMEs (small and medium sized enterprises) with a turnover of less than £50m a year.
- 3) Taken as a whole, the TV industry around the world is worth \$400 billion.<sup>1</sup> The UK independent production sector is one of the biggest in the world. UK independent production sector revenues have grown from £1.3 billion in 2005 to over £3 billion in 2018 largely driven by a growth in international sales.<sup>2</sup>
- 4) The British independent production sector is successful internationally and is strong, along with the wider UK creative industries, at promoting the UK 'soft power' brand overseas. UK TV export revenues were an estimated £1.4 billion in 2018/19 and sales to Australia totalled £96m. <sup>3</sup>
- 5) The UK is the second largest exporter of TV content in the world (after the USA)<sup>4</sup> and the biggest international exporter of programme formats (the templates for ideas which make a TV programme).

### **Overview**

- 1.1 Australia is one of the largest export markets for UK TV producers, coming in third after the US (£444m) and France (£115m) with £96m in export revenues in 2018/19<sup>5</sup>, which is a £23m increase since 2016/17<sup>6</sup>. There are no barriers to trading with Australia that would

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<sup>1</sup> Analysis for Pact by Oliver & Ohlbaum, published in 'A New Age for UK TV content and a New Role for the BBC', August 2014

<sup>2</sup> Pact Census Independent Production Sector Financial Census and Survey 2019, by Oliver & Ohlbaum Associates Limited

<sup>3</sup> UK TV Exports Report 2018/19, Pact

<sup>4</sup> Mediametrie Television Year in the World report (2013)

<sup>5</sup> UK TV Exports Report 2018-19, Pact

<sup>6</sup> UK TV Exports Report 2016-17, Pact

need addressing in a future FTA with the country. However, including the audio-visual sector in any trade deal with Australia risks undermining the existing legislative and regulatory interventions that make the Public Service Broadcasting system and the wider UK film and TV production sector so successful. The Government should ensure that the sector is excluded from any future trade deal as a priority to ensure that it can continue to succeed and grow.

- 1.2 Retaining EU works status should be a priority for all future FTAs that the Government is currently negotiating. Pact wants to ensure that all commitments made within the agreement do not prevent the UK from fulfilling any criteria necessary to retain EU works status nor strengthen the EU's arguments for withdrawing EU works status from the UK.
- 1.3 Pact is pleased that the Government is seeking to protect the UK's existing IP standards and secure provisions that support the UK creative industries. IP is a producers most valuable asset and it's important that any future trade deal with one of the key TV export markets has high standards of IP enforcement and protection. This will help ensure that producers are protected from IP theft and will give them the confidence to continue to sell their IP into the Australian market.
- 1.4 Pact has over 1000 members based across the UK, with the majority of these being SMEs with a turnover of less than £50m a year. Last year we launched a range of services focused on helping start-ups and SMEs grow their business. We are pleased that the Government are seeking a dedicated SME chapter in the future FTA with Australia. One of the biggest issues for smaller companies working in new territories is understanding and navigating the differences in working practices. Provisions in a future FTA that would help those companies understand this would help to instil confidence in companies who may be not be familiar with the market or the Australian TV sector.

### **Inquiry Questions**

Pact has answered the questions most relevant to the film and TV production sector and included further information relevant to the UK's negotiations with Australia.

**Q. Does the Department for International Trade (DIT)'s strategic approach, published on 17 June 2020, set out the right objectives for negotiations? How effectively does that strategic approach represent the interests of different groups and regions across the country, including the devolved nations, businesses, civil society, and individuals?**

2.1 Pact is pleased that the Department for International Trade has recognised the important role the Audio-Visual sector plays to the UK economy in their strategic approach. In 2018, the creative industries contributed £111.7bn to the UK economy, an increase of over 40% since 2010.<sup>7</sup> An increasing majority of producer's revenue is now coming from international commissions and sales to broadcasters in other markets. In 2018, UK producers international revenues increased to £962m, an increase of over 90% since 2013.<sup>8</sup> Given the growing importance of international revenue to producers, it's important the current high standards of IP protection and enforcement are maintained in any future FTA. Which is why we are pleased that there are a number of IP related provisions contained within the DIT's strategic approach. These will help to ensure that producers most valuable asset (IP) is protected from any potential theft or infringement, which can cost thousands of pounds in legal fees.

2.2 Pact has a large number of members who are SMEs. Which is why we launched a range of services last year specifically for SMEs looking to grow their businesses. During the current COVID-19 pandemic, we offered free Pact membership for 6 months for existing members and those looking to join. During this time, we have seen a large increase in smaller companies joining Pact. We are pleased that the Government are seeking to support SMEs with a dedicated chapter in a future FTA with Australia. Many SMEs have felt the economic effects of the COVID-19 pandemic, and we want to ensure that our members are able to take full advantage on offer to them. Although Australia is an already a well-established market for UK TV exports; dedicated SME provisions could help encourage those unfamiliar with the territory to look at trading there.

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<sup>7</sup> DCMS Sectors Economic Estimates 2018: GVA, Department for Digital, Culture, Media and Sport, February 2020

<sup>8</sup> Pact Census 2019

- 2.3 DIT's strategic approach also states that there is a strong case for ensuring both the Audio-Visual sector and the Creative Industries are supported, which includes ensuring the UK's high standards are maintained and the UK's public service broadcasting (PSB) model is protected. We are pleased that the Government is seeking to protect PSB system, however Pact believes that this should be done by excluding the Audio-Visual sector from any future UK-Australia FTA.
- 2.4 The PSBs sit at the heart of the broadcasting ecology in the UK, which is internationally recognised as one of the most dynamic, creative, diverse, and innovative in the world. The current PSB institutions (Channel 4, the BBC, ITV, and Channel 5) are the biggest investors in UK originated content and have accounted for more than 80% of all UK external commissioning spend over the last decade.<sup>9</sup>
- 2.5 Without an AV exclusion excluding AV, there is a risk that the current legislative and regulations, such as the BBC licence fee and the creative sector tax reliefs, could be weakened or undermined. This would not only damage the PSBs revenue but also the independent TV production sector. In 2018, total UK TV sector revenues increased to just over £3bn.<sup>10</sup> A Pact survey of our members in April found that as a result of the production shutdown at the start of the pandemic, producers lost more than £250m because of cancelled or postponed productions, an average of £2,6m per producer.<sup>11</sup> While producers have felt the economic effects of the pandemic, we want to ensure that the sector can continue to succeed and grow, and the Government should seek an exemption as a priority to ensure that this can happen.
- 2.6 A future FTA with Australia should also not prevent the UK from retaining EU works status. The EU is a key market for audio visual content at 34% of TV exports overall and losing the European works status would have a significant impact on the UK Audio-Visual sector. It would eliminate the UK's commercially meaningful preferential access to EU markets and weaken UK producer's ability to compete in the EU, which is an already competitive market. The UK based film, TV and TV-related sectors alone make a trade surplus of £1.3 billion a year with Europe.<sup>12</sup> The loss of EU works status would also have an

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<sup>9</sup> Pact Census 2019

<sup>10</sup> Pact Census 2019

<sup>11</sup> Pact member survey on the impact of the COVID-19 pandemic, 17 April 2020

<sup>12</sup> [The contribution of UK based film, TV and TV-related industries to the UK economy, and growth prospects to 2025, Oliver and Ohlbaum, October 2018](#)

affect on the UK's ability to attract inward investment into the UK film and TV production sector. Many international studios may choose to relocate their UK operations to other European hubs in order to secure preferential access to the EU market and retain the EU works status.

2.7 While European works status will continue once the transition period is over because of the UK's commitment to the Council of Europe Convention of Trans Frontier Television this treaty alone does not protect the UK's ability to retain EU works status. The EU has the ability to amend the Audiovisual Media Services Directive, which gives the UK and others European works status. There is a possibility that the EU could exclude the UK from this Directive. It's important that any future FTAs do not hinder the UK's ability to meet the European works status criteria, nor strengthen the EU's justifications for removing the EU works status from the UK. The best way to do this would be to ensure a blanket exclusion of the Audio-Visual sector in all future FTAs, including Australia.

**Q. The UK Government has expressed interest in increasing opportunities for the UK professional services industry by supporting Mutual Recognition of Professional Qualifications and facilitating the temporary movement of business people between the UK and Australia. What provisions do you think the UK should seek to agree with Australia on the movement of people in professional services and what impacts might there be for UK workers and businesses? What provisions will Australia be seeking?**

3.1 Those working in the film and TV sector often work on a project basis, rather than for one company in particular. Securing freedom of movement for project workers on a temporary basis for those working on productions in Australia and retaining access for Australian production crew and talent to take part in UK based productions would help facilitate trade between the two countries. A similar visa to the current Tier 5 (Temporary Worker – Creative and Sporting) concession is one example of something the Government could seek in a future FTA with Australia.

**Q. How might a trade deal with Australia help the UK to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and what benefits would there be in joining?**

4.1 Australia, Canada and New Zealand are well-established markets for UK producers. Australia is the largest with a total of £96m in export sales. Canada is slightly smaller with £63m and New Zealand is smaller again

with £26m.<sup>13</sup> The UK already has three official coproduction treaties with Australia, Canada and New Zealand, which have helped to facilitate relationships and co-productions between the countries. While the other CPTPP countries are smaller, the Latin American countries in particular have shown strong revenue growth over the past three years and are where UK companies feel there is the best opportunity for expansion. Joining the CPTPP would help create opportunities for UK producers looking to expand their exports into other territories.

4.2 Pact has no particular view on how an FTA may help the UK join the CPTPP however if an AV exclusion is not included in the UK-Australia FTA, gaining an exclusion in the CPTPP would be made more difficult. If the sector is not excluded any deficiencies in the Non-Conformist Measures negotiated with Australia would be impossible to remedy in any other future negotiations.

## **2 October 2020**

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<sup>13</sup> UK TV Export Report 2019, Pact