


Submission to the Treasury Committee call for
evidence on Government's coronavirus
financial package

pact.

March 2020

Introduction

1. Pact is the UK trade association which represents and promotes the commercial interests of independent feature film, television, digital, children's and animation media companies.
 2. The UK is a world leader in the sales of TV content globally and revenues continue to rise. Taken as a whole, the TV industry around the world is worth \$400 billion.¹ UK independent television sector revenues have grown from £1.3 billion in 2005 to over £3 billion in 2018 largely driven by a growth in international sales.²
 3. Independent producers are using the resulting revenues to become significant investors in the creation of UK content creation and are vital part of the UKs creative industries.
 4. The creative industries are a source of strong UK job growth, with employment in the sector growing by 30.6% in 2011-2018, compared to a national average of 10.1%³.
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¹ Analysis for Pact by Oliver & Ohlbaum, published in 'A New Age for UK TV content and a New Role for the BBC', August 2014

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

³ DCMS Economics Estimates 2020, DCMS 2020

Overview

Pact commends the governments reaction so far on how it will support businesses affected by the coronavirus Covid-19. That said, there are a number of issues particular to the TV and film industry and the broader creative industries that need to be considered as all the measures start to be implemented. Pact calls on Government to adopt a further range of measures outlined below to support one of the UK's most successful domestic and export industries. We also call on the government to clarify and amend where necessary some of the measures already announced.

Key issues with the government measures announced

Support grants for the retail, hospitality and leisure businesses: This should be extended to all SMEs within the economy. As outlined below actual cash to help manage an SME's capital reserves are more important in our industry as most SMEs work on a project basis and have little to no cash reserves often relying on third party deficit financing to help make a programme.

Coronavirus Business Interruption Loan Scheme: Pact considers that increasing a debt burden on SMEs is unattractive to many within the creative sector and impacts overall corporate financing. This means that when an SME within our industry wants to raise capital and scale up it will look less attractive to buyers if during the crisis if they had applied for a business loan because they will be carrying debts. Larger companies maybe able to go to the money markets to service this debt but SMEs will not have this option and would be relying on banks who often misunderstand the nature of creative industries which are built on ideas/IP rather than physical products. To make this scheme more attractive to creative sector SMEs it is vital that the terms should be more flexible. For example, there should not be a personal capacity guarantee

Further measures that imminently need to be announced to support SMEs within the UK production sector

Suspend all payments of HMRC liabilities for PAYE, NI and corporation tax and a business rates holiday for as long as necessary: As we have already outlined above loans are unattractive to the creative industry because it is harder to service debts when SMEs in the industry have a lack of access to long term capital reserves. A better solution would be to defer money owed to the government until the crisis is over. Although VAT deferment has been announced a further announcement on other measures would go some way in ensuring many of the SMEs within our industry continue to stay afloat.

Freelancers: Government need to support our skilled freelance and self-employed workforce, we welcome the delay the implementation of the flawed IR35 rules but more needs to be done, namely - simplify access and processes for state unemployment benefits, and a freeze on all personal credit interest payments.

Support our domestic publicly-owned public service broadcasters: Government should increase their borrowing limits to ensure they can support their programme budgets when the current hiatus on production comes to an end.

Wider issues to consider as the crisis deepens

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This is an unprecedented crisis and in order to ensure that the UK industry can recover and continue to be one of the world's most successful audio-visual sectors the UK Government should do all that it can to help especially when thinking about the longer term consequences.

Sustainability and building on the existing R&D Tax credit to support SMEs in the creative sector: As outlined briefly above creative industries and those within the TV and Film sector have limited capital reserves to draw on in times of crisis. This is because margins have been considerably low over the last ten years as broadcasters and buyers of content have continued to squeeze producers. Those larger companies within our membership have more resilience in terms of using development funding to help develop ideas but once the crisis is over it will be hard for the existing diverse supply market to recover quickly and provide ideas to those buyers looking for content. As a way to continue the diverse supply the government should extend the R&D tax credit to apply to SMEs within the Creative Industries. By enhancing the scope of officially recognised Research and Development to include R&D undertaken as part of the creative process.⁴ It could provide the development funding needed to keep companies afloat and ready to provide content during the crisis as well as dramatically increase incentives to invest in and commercialise creative R&D, in particular through enabling businesses to benefit from existing R&D tax incentives for these activities.

Export support: As the crisis continues many countries will be aggressively competing to take advantage of the UK's diminished capacity as countries begin to recover from coronavirus ahead of the UK. Additional support maybe needed to ensure British businesses get back to the export position it held pre-crisis.

⁴ Defining R&D in the creative industries, Nesta/AHRC/UCL, April 2017