

Written evidence submitted by Pact

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. Pact works on behalf of its members to ensure the best legal, regulatory and economic environment for growth in the sector. Pact has around 550 member 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. 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 2019 largely driven by a growth in international sales.²
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

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 2020, by Oliver & Ohlbaum Associates Limited

³ DCMS Economics Estimates 2020, DCMS 2020

Overview

- 1.1 The ongoing COVID pandemic has had a substantial impact on producers' businesses. When we surveyed our members at the beginning of the Government's lockdown in April 2020, we found that producers had lost more than £250m in revenue as a result of delayed or cancelled productions.⁴ However, Pact, the broadcasters and others in the industry produced numerous sets of industry guidance to help producers navigate new COVID safe working practices in line with the Government's guidance. The Government also introduced the Film and TV Production Restart Scheme for UK film and TV productions struggling to secure insurance for COVID related costs. With all this in place, the sector is now able to safely return to work and economic recovery from the COVID pandemic can begin.
- 1.2 While the sector can return to work, COVID safety protocols and other restrictions will still have an impact on the sector. Producers adhere to strict safety guidelines and putting in place these measures has increased producers' budgets by around 10% – 25%.⁵ Broadcasters are all taking different approaches to COVID safety costs, with some splitting the costs with producers and others placing the burden on producers. Productions also often bring talent to the UK from abroad. Securing big name talent often helps secure the financing necessary to fund the production or win the commission itself. Hotel quarantine and testing packages for international arrivals are expensive and another cost that producers must now factor into the production budget.
- 1.3 Pre-COVID the film and TV production sector was thriving with revenues growing to over £3.3bn in 2019.⁶ As a result of the success, producers have found it increasingly difficult to access talent and studio space. The sector is doing what it can to help address the issue of skills shortages within the industry by paying into various ScreenSkills funds, such as the Children's TV Skills Fund, High End TV Skills Fund and the newly launched Unscripted Skills TV Fund. However upskilling and training new talent takes time especially in the technical skills required for genres such as Animation. Pact is pleased that the Government have recently launched a consultation on apprenticeships to ensure there is flexibility for the sector. It is vital that the industry has the skills and talent necessary to keep up with the demand for high quality UK content.
- 1.4 Pact was a strong supporter of the industrial strategy, and in particular the Creative Industries Sector deal. Some progress has made as part of the Sector Deal. For example, the Creative Clusters programme, which bring together a R&D partnership model between creative businesses and universities. The £4 million Creative Scale-up programme launched in the West of England, Greater Manchester, and the West Midlands aims to help creative businesses gain access to finance through a sustainable growth support programme. Pact believes that in light of the COVID pandemic the economy now has a different set of needs and it was right to address these through a new economic plan such as Build Back Better. However, its vital that the sector and the wider creative industries continue to be recognised and the commitments made as part

⁴ Pact member survey, April 2020

⁵ Based on consultation with over 100 members

⁶ Pact Census 2020, Pact, August 2020

of the Creative Industries Sector Deal are still adhered to.

Inquiry Questions

2.1 Pact has answered the questions most relevant to the film and TV production sector.

Q1. How successful has the Government's pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?

3.1 The Film and TV production sector has made use of many of the Government's pandemic support measures. For example, the Coronavirus Job Retention Scheme has been an important lifeline for production companies at the start of lockdown who were unable to return to work safely. In a poll to Pact members in 2020, we found that just over 77% of members have furloughed employees.⁷ Producers also made use of other Government initiatives such as VAT deferrals. The Coronavirus Business Interruption Loan Scheme and other Government backed loan schemes are unattractive to many within the creative sector and impacts overall corporate financing given that it increases the debt burden on SMEs. We conducted a snap poll in May 2020, which found that 75% of the 170 respondents had not accessed the loan schemes and did not intend to utilise these. Many larger companies who needed money to stay afloat would have gone to the money markets to service this debt. However, SMEs do not have this option and would be relying on traditional banks who often misunderstand the nature of IP driven businesses. Producers who relied on traditional methods of financing will soon have to start paying back loans which will have an impact on their ability to financially recover from COVID.

3.2 Pact along with others in the industry worked with Government to help shape the Film and TV Production Restart Scheme which was announced last year. The issue of COVID-related insurance was the one thing preventing producers returning to work and without it, the vast majority of production would not be up and running again. The £500 million Scheme ensures that productions are protected against COVID related losses and delays, something which the commercial market is not currently offering. As a result of the Scheme, more than 160 productions have been supported which has protected nearly 20,000 jobs across the sector.⁸ The Scheme has now been extended until the end of 2021, however it's currently unclear what will happen beyond this. Producers need COVID-related insurance in order to film and many UK broadcasters do not have their own insurance which would cover COVID related losses and delays. It is vital that the sector receives clarity on this matter and that commercial reinsurers either return to the market or the Government continues some form of reinsurance scheme for the sector.

Q2. What policies are effective in helping people to reskill, move between occupations and sectors and take advantage of new opportunities? How could these be best implemented in the aftermath of the pandemic, and as technological developments such as artificial intelligence change the nature of work?

⁷ Pact snap poll conducted on 15 May 2020 with 173 members

⁸ Almost 20,000 jobs protected by Film & TV Production Restart Scheme, HM Treasury, February 2021. <https://www.gov.uk/government/news/almost-20000-jobs-protected-by-film-tv-production-restart-scheme>

- 4.1 The UK film and TV production sector is a global success and as a result there has been a huge increase in production recently. This increase benefits the sector and the wider UK economy, with the wider creative industries contributing £115.9bn to the UK economy in 2019.⁹ This increase in production has led to the creation of many new jobs and as a result, the industry is taking action to upskill their workforce and address the existing skills gaps within the industry. ScreenSkills now have the Animation Skills Fund, Children’s TV Skills Fund, Film Skills Fund, High-end TV Skills Fund, and the new Unscripted TV Skills Fund to help tackle these issues. Producers pay in a certain % of the agreed price of the commission, and then the broadcaster/SVOD also contributes to the Fund. The money from the Fund will be used to invest in the development of skills and talent across that genre and the decision will be led by industry groups. This a positive step however, training and bringing new people into the industry can take some time.
- 4.2 Producers also bring talent in from abroad to help address skills gaps and meet demand. Pact are pleased that the Government has recognised how important international talent is to the industry by putting many production-related roles on the Shortage Occupation List and ensuring that the new immigration system continues to allow for creative talent to enter the UK on a short-term basis. However, the increased cost of this will hit production companies, particularly smaller producers, and visa costs will now be another factor to consider in the production budget.
- 4.3 The sector, along with the wider creative industries, are a strong source of job growth. These jobs are also at low risk of being automated in the future. A NESTA report found that only 15% of UK creative industry jobs were at high risk of being automated compared to 32% of non-creative industries.¹⁰ While the COVID pandemic has had an economic impact on the sector, creative industry related jobs are largely future proof and the sectors’ strong track record of growth shows the important contribution the creative industries make to the UK economy and jobs.

Q3. Is the “Plan for Growth” an adequate replacement for the “Industrial Strategy”?

- 5.1 Pact was a strong supporter of the Government’s Creative Industries Sector Deal, and the wider Industrial Strategy. However, we believe that they were designed around a different set of needs, data, and a different economy. The pandemic has brought significant change and issues to light and Pact believes it was right that the Government introduced a new plan for growth post pandemic.
- 5.2 The Government’s Build Back Better plan for Growth contains a number of measures which could potentially benefit the sector. For example, reforming the Apprenticeship Levy. Previously, levy funds for the creative industries remained unspent due to the inflexibility of the Scheme and the nature of the production sector. Pact is also pleased that the Department for Education are currently consulting on the new flexi-job apprenticeships for the sector. It’s vital that there is a continued pipeline of talent to meet industry demand.

⁹ DMCS Economic Estimates 2019: GVA, DCMS, February 2021

¹⁰ Creativity vs Robots: the Creative Economy and Future of Employment, NESTA, April 2015

5.3 As part of the Government's plan, they also announced they would be carrying out a review of the R&D Tax Reliefs. Producers invest their revenues in R&D to ensure they constantly have a slate of new, high quality ideas to pitch to broadcasters. R&D is a vital investment and Pact are pleased that there is a possibility of this tax relief being available to those within the creative industries.

5.4 The film and TV production sector is also hugely successful internationally, with international revenues growing to £1 billion for the first time ever in 2019.¹¹ Pact works closely with the Department for International Trade and we launched the Pact Export Accelerator to help producers formulate an export strategy as well as help them export their IP internationally. We are pleased that the Government's Plan for Growth includes a refreshed export strategy to align support for exporters with the plan, as well as sectoral priorities. With many international markets still unable to take place because of COVID, it is important that producers are still able to access support from Pact and the Department for International Trade to continue to access international opportunities.

May 2021

¹¹ Pact Census 2020, Pact, August 2019