## Written evidence submitted by PACT, relating to the Investment in Northern Ireland inquiry (INI0025)

### 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 has over 800 members across the UK, including in the nations and regions, with around 18 companies based in Northern Ireland. Pact members make programmes for a range of broadcasters in the UK and internationally.

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 just under £3 billion in 2020 largely driven by a growth in international sales.[2]

4. The creative industries are highly skilled, with 62% of employees educated to degree level compared to 34% of the national population, and the industry employs almost 2 million people. In 2019, the creative industries contributed £115.9bn to the UK economy, accounting for 5.9% of UK GVA.[3]

*Overview*

The Northern Irish independent film and TV production sector is relatively small in size, with around 18 Pact members based in Northern Ireland. However, given the success of the wider UK production sector and popularity of UK content, such as *Derry Girls,* there are opportunities for further growth in Northern Ireland.

The key to developing a sustainable indie sector in Northern Ireland is for companies to secure returning series. Returning series gives companies the ability to offer sustainable and meaningful jobs locally as well as supporting the wider local creative economy. Short run series and one-off commissions do not offer the same opportunity.

There are now more opportunities available to producers due to the rise of SVODs and other international players, however many production companies are solely reliant on the UK PSBs (BBC, Channel 4, ITV, and Channel 5) for commissions. In 2020, primary commissions from the UK PSBs represented 70% of all out of London commissioning revenue.[4] Pact is concerned about a potential change of ownership of Channel 4 and changes to its remit will have a substantial impact on the sector. Currently, 47% of Channel 4's spend on first-run originations comes from the Nations and Regions, and spend on content from producers in Northern Ireland totals £2.8 million.[5] It is unknown how quickly the

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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 2021, by Oliver & Ohlbaum Associates Limited
[3] https://www.gov.uk/government/statistics/dcms-economic-estimates-2019-gross-value-added/dcms-economic-estimates-2019-provisional-gross-value-added
[4] Pact Census Independent Production Sector Financial Census and Survey N&R Annex 2021, by Oliver & Ohlbaum Associates Limited
[5] Channel 4 Television Corporation Report 2020 and Financial Statements, Channel 4 Corporation

sector will get back to its former growth trajectory post COVID and the Government's plans to change the ownership of Channel 4 in its current state puts at risk any shoots of recovery that we are seeing in the sector particularly for smaller independents.

*Potential Impact of Channel 4 Privatisation*

Last year, the Government launched a consultation on a potential change of ownership of Channel 4 Corporation. Channel 4 plays an important role in the UK television marketplace as a publicly owned public service broadcaster, with a unique remit to promote diversity and innovation both on and off screen. The health of the UK TV production sector is closely interlinked with that of Channel 4, and any changes to the current ownership structure and remit would have a damaging impact on the TV production sector.

Channel 4's public service remit and its status as a publisher-broadcaster prevents it from making and owning the IP to its own programmes. This was one of the key founding principles when it was created by the Thatcher Government in the 1980s. It is vitally important to the economic and cultural health of the UK that Channel 4 continues to be a publisher-broadcaster and it retains its unique remit and obligations, which ensures that Channel 4 works with a broad range of suppliers from across the country, including Northern Ireland.

The media landscape has undergone substantial changes since Channel 4 was set up. New technology and new content providers, such as Netflix, have enabled audiences to choose what content they want to watch, when they want to watch it and where they want to watch it. However, Subscription Video on Demand (SVoDs) providers operate with an entirely different business model to the UK Public Service Broadcasters (PSBs) and serve different audiences. SVoDs retain all rights and focus on globally appealing content, whereas the PSBs focus on genuine local stories across a range of genres from indigenous producers.

Channel 4 still commissions more programmes from small production companies than other PSBs between 2015-2019 from across the UK.[6] This has enabled generations of creative entrepreneurs and small innovative start-ups to break into the UK broadcasting market and grow their businesses initially working for Channel 4 and then supplying other broadcasters both domestically and internationally. Last year, Channel 4 worked with 161 independent production companies. Its risk-taking remit which breeds innovation and originality, and the creation of new IP, also provides much needed competition for the other PSBs which in turn benefits both viewers and the wider economy.

The diversity of supply and programming would be lost if Channel 4 is privatised and allowed to make and control its own programmes as the current commissioning slots available would move across to the in-house production arm. To enable Channel 4 to make and own its own programmes, new owners would need to cancel a range of productions to free up programme slots. A Pact commissioned report by Oliver and Ohlbaum (O&O) Associates estimated that £80 million of content spend will be lost to a Channel 4 in-house production arm in the first year after an initial push to move content in-house. After five years O&O Associates have estimated that this would rise to £1billion.[7] This would not only damage the UK production sector, which is beginning to slowly recover from the economic impacts of COVID, but also close the door on future generations of entrepreneurs and new businesses who use their self-sufficiency and self-motivation to break into a highly competitive market. It

[6] Channel 4's impact on the UK's International Competitiveness and Global Profile, O&O Associates, p18 2021
[7] Channel 4's impact on the UK's International Competitiveness and Global Profile, O&O Associates, p60, 2021

would also become an opportunity cost of £3.7billion to the sector over a 10-year period and an inevitably this would be a direct transfer of value from SMEs across the UK to privately owned shareholders.[8]

Pact considers that Channel 4's current remit and publisher broadcaster model is the optimum, this prohibits Channel 4 from making its own programmes, includes a commitment to diverse programming, a 50% nations and regions quota, the Terms of Trade[9] and market access for start-ups to break into the UK commissioning market. Any changes to the current model would have a damaging impact on production businesses across the UK and the 10,000 jobs that have been created and sustained across the UK.

*Skills and Training*

Investment in skills and training is vital for the continued growth and success of the UK production sector. It's becoming increasingly difficult for productions to find the necessary talent and skills to meet the current high demand. The sector is doing what it can to address the issue of skills shortages within the sector by paying into various ScreenSkills training funds, such as the Children's TV Skills Fund, High End TV Skills Fund, and the newly launched Unscripted Skills TV Fund. To be able to meet demand, the sector needs to ensure that those currently working in the industry have the right skills, but also that there are new entrants into the sector.

Many production companies do undertake their own ad-hoc training and skills development within their company however this can be costly and smaller indies may not have the revenue or time to invest in extensive training. Which is why securing returning series is so vital for the growth of the sector. Returning series gives production companies greater security and opportunities to further monetise their IP, producers can then invest in skills and training and/or in the Research and Development of new ideas.

*Belfast Region City Deal*

Pact was pleased that the Belfast Region City deal announced last year identified the creative industries as one of regions growth sectors. Prior to 2020, GVA by the Creative Industries grew faster than GVA by the UK economy as a whole, increasing by 41.4% in real terms between 2011 and 2019 compared to 15.9% for the UK economy.[10] Some genres are becoming increasingly reliant on new technology and digital skills to create high quality content. For example, virtual production, which combines VFX and technology throughout the production process, is becoming increasingly popular. This area requires specialist skills and there is currently a shortage in this area. We were also pleased with the announcement of Ulster University's new Screen Media Innovation Lab, which will provide training and development opportunities for local talent as well as drive R&D collaboration.

*Levelling Up Fund and Shared Prosperity Fund*

When the UK left the EU, the UK indie production sector lost access to EU funding. Pact has long argued these funds should be replaced to ensure that UK producers do not suffer

[8] IBID

[9] Under the Terms of Trade (a legal framework of principles under which PSBs do business with independent production companies), independent producers retain the IP rights to their programmes, enabling them to generate vital secondary revenue and put them on a much firmer economic footing – a major contributor to the growth of the industry in the UK.

[10] DCMS Economic Estimates 2011 – 2020, DCMS, 23 December 2021

economically. Pact was pleased that Ulster University received money from the Levelling Up Fund for a flexible virtual production studio. While the sector in Northern Ireland is relatively small, there are a number of companies who produce long running factual shows such as *Mastermind* and *Who Wants to Be a Millionaire?* Competition from global players as well as the boom in production has meant many are finding it difficult to secure access to studio facilities, crew, and equipment. Further investment in not only training and skills but studio facilities would greatly benefit producers based in Northern Ireland.

There should also be more coordination at local spending level and transparency over how the various Government funds will benefit the sector. Pact was pleased that the UK Community Renewal Fund lists investment in skills as one of the priorities given the current issues production is facing. We also note that there has been a number of successful bids relating to the Film and TV sector. While funds such as these are useful, its important that local bodies and authorities work with industry to better understand the current issues and needs. As industry itself is often better equipped to address issues and needs within the TV and film production sector. LEPs and other public bodies do not always understand the specific needs of creative businesses or their business models. For example, as part of the Creative Europe programme offered development of single projects and slate funding. Slate development funding is vital for developing a project to a high standard ready for commission. The UK commissioning market is incredibly competitive due to the limited number of commissioning slots available, this means that production companies spend a lot of time and money developing ideas to a the highest standard possible. Pact had previously pitched a TV slate development fund to the Leeds LEP which would support local production companies in the area develop projects that have had interest from broadcasters. Producers operate on small margins and the little reserves they do have are often invested into developing ideas. The creation of a slate development fund within Northern Ireland or a regional fund would help ease the financial pressure on producers, which is particularly important given the impact of the COVID pandemic on production companies finances.

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