

Written evidence submitted by the British Film Institute

About the BFI

The BFI is the UK's lead organisation for film, television and the moving image, an Arm's Length Body of UK Government and a distributor of National Lottery funding. As an organisation it works to promote these media in a number of ways:

- Curating and presenting the greatest international public programme of world cinema for audiences; in cinemas, at festivals and online
- Caring for the BFI National Archive – the most significant film and television archive in the world
- Actively seeking out and supports the next generation of filmmakers
- Acting as industry's representative to Government, helping to make the UK the most creatively exciting and prosperous place to make film internationally.

Founded in 1933, the BFI is a registered charity governed by Royal Charter. The BFI Board of Governors is chaired by Josh Berger CBE.

About this Screen Sector Taskforce The Screen Sector Taskforce, coordinated by the BFI, is a group of the UK's leading film, TV and moving image bodies and organisations working together to identify challenges and develop policy interventions in response to the COVID-19 crisis. Originally brought together in response to the Brexit referendum, the Taskforce was quickly repurposed in response to COVID-19, with its membership growing from 30 to more than 100 senior representatives from film, TV, animation, VFX and video games. Working groups were established for different parts of the sector, including inward investment (chaired by the British Film Commission); independent film (chaired by the BFI); TV production and broadcasting (chaired by Pact) and distribution and exhibition (chaired by the UK Cinema Association alongside the Film Distributors' Association).

After working to amass evidence of the immediate impact of COVID-19 on the sector and address urgent issues such as emergency support for workers and businesses, the Taskforce has turned its attention to how to get the sector back to work as quickly, safely and efficiently as possible. This paper sets out how this can be achieved.

In the future, the Taskforce will pivot to consider the long-term issues facing industry that have been exposed or exacerbated by the COVID-19 crisis and how they can be addressed. This includes topics such as workforce stability and the sustainability of UK independent film

About this submission

This submission sets out evidence and policy recommendations developed by the Taskforce in response to COVID-19. It has sections covering two key topics addressed by the consultation: access to the Job Retention Scheme and Self-Employment Income Support Scheme, and further Government interventions to support the economy.

INTRODUCTION

The UK screen industries have been a cultural and commercial success story in recent years, defining UK identity both at home and around the world. Award-winning titles such as *1917* and *Fleabag* reach audiences around the globe, while titles such as the *Bond* series, *Harry Potter* and *Downton Abbey* are the UK's calling card to the world, underpinning the UK's soft power as well as massively driving exports and tourism. At home, film and television connect people with the most popular and accessible art form of our time. DCMS' Taking Part survey found that cinema is a highly accessible and popular form of culture across the UK public, with 57.8% of the UK population having seen at least one film at the cinema in the past 12 months.¹ The reach of cinema over indexes among BAME audiences, those with a disability and those from a lower socioeconomic background and in particular among young adults and teenagers.

The screen industries are an economic powerhouse. Total UK production spend for film and HETV in 2019 was a record-breaking £3.6 billion, while 176 million people spent £1.25 billion at UK cinemas. A total of 166,300 is employed across the film and TV sectors.² The latest ONS figures show that the industry is the fastest growing part of the economy, having returned the highest CAGR (9.5%) of any industry in the UK – ahead of the historically fast-growing IT, air transport, and scientific research industries – over the most recent five year reported period from 2013 to 2018.³ In Q3 2019 (June to August) alone, the industry expanded by 9%, and was even credited by the ONS with providing the British economy with a much-needed boost, helping move GDP into the black with an overall increase of 0.3%.⁴

But COVID-19 massively jeopardises the sector's success. Productions and cinemas have been forced to close down under lockdown rules at huge cost. Only £39m of the £1.1bn of film and HETV production spend scheduled for Q1 2020 completed before lockdown measures were enforced. The enforced closure of cinemas leaves audiences across the UK without access to culture and is incurring an estimated loss of £5.7m per day for cinemas across every part of the UK, with 41% of respondents to a recent survey indicating they will not be able to reopen in line with social distancing measures - threatening their future in the long term.⁵ Restrictive measures such as enforced quarantine for international travellers jeopardises our reputation as a global production hub, particularly as other countries find more time efficient methods by which to keep the public as safe as possible. Government intervention is needed to counter each of these risks and ensure the screen industries can play a role in the UK's social, cultural and economic recovery.

SECTION A: JOB RETENTION SCHEME AND SELF-EMPLOYMENT INCOME SUPPORT SCHEME

Q. How effective have these schemes been in maintaining employment and reducing job losses?

The Taskforce welcomed the Government's move to introduce income support schemes in the wake of lockdown, which has helped a range of businesses weather its economic impact.

¹ <https://www.gov.uk/government/collections/sat--2>

² BFI Research & Statistics Unit

³ ONS, *Services sector UK: 2008 to 2018*,

<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/servicessectoruk/2008to2018>

⁴ <https://www.screendaily.com/news/film-and-tv-boom-pushes-uk-economy-into-black/5143767.article>

⁵ BFI Research & Statistics Unit

⁶ Independent Cinema Office, *Reopening Cinemas - the Right Way*, 2020,

<https://www.independentcinemaoffice.org.uk/advice-support/reopening-cinemas-the-independent-way/>

The Job Retention Scheme (JRS) and Self-Employment Income Support Scheme (SEISS) have varied in effectiveness across the screen industries. This is because employment works differently across different parts of the sector. For cinemas and exhibitors, for example, which tend to employ people on a full-time basis, the JRS has proved a very effective way of protecting businesses while cinemas have been forcibly closed under lockdown, with an estimated 95% of the subsector's 15,300 workers furloughed.⁷

JRS and SEISS have proved less effective in other areas, however. An estimated 20,500 PAYE freelancers working in film and TV production have been unable to claim any kind of support through either scheme, leaving them with very little income through this extremely trying time and threatening the stability of the screen workforce. Further detail is provided on this issue in responses to the following question.⁸

Q: What gaps in coverage still remain and are changes required to increase their effectiveness?

i) PAYE Freelancers⁹

An estimated 20,500 freelancers working in the UK's film and television production workforce were left with no access to support through either the JRS or SEISS, with no alternative measures provided by Government.

As estimated by ONS, self-employed people in the film and TV sectors account for 32% of this workforce - nearly double that of the UK working population as a whole (15%). In 2019 this represented a total of around 54,000 people. However, the freelance workforce is even larger than this as it includes a significant number of PAYE freelancers who are technically categorised as employees, but move between short term contracts on different productions. Using evidence from a series of surveys run in response to COVID-19 including those by the Film & TV Charity and NI Screen, the BFI's Research and Statistics Unit estimates that 37% of freelancers work PAYE, 26% are sole traders and 36% operate one-person companies. Based on this evidence, the BFI estimates that 31,500 workers in film and TV production are PAYE freelancers.

Payroll data shared with the BFI confirmed that due to the seasonal nature of the film and TV production, many freelance workers were between contracts at both the February and March cut-off dates for the JRS, since these precede the peak season for hiring crew for start of principal photography. When combined with information provided by the FTVC and BECTU surveys, the BFI was able to estimate that while 31% of PAYE freelancers were working on February 28th, 69% were not. This means that approximately 20,500 workers were left without support under the initial terms of the JRS, with very few additional believed to have gained access following the scheme's extension.

ii) Personal service companies

Many working in film and TV production operate as personal service companies, paying themselves a minimal salary and making the lion's share of their income through dividends. This means only a very small proportion of their earnings is covered by the JRS. This structure has long been a requirement of the industry, with productions only hiring those workers set up in this manner. These workers have faced a huge financial challenge.

⁷ UK Cinema Association

⁸ BFI Research & Statistics Unit

⁹ All statistics provided by the BFI Research and Statistics Unit. Further detail available on request

The BFI was able to work with the Film & TV Charity in order to offer £3m of emergency support to the sector, raised through a Covid-19 Emergency Relief Fund, using donations from partners including Netflix, the BBC and BBC Studios, Sky and WarnerMedia as well as the BFI. But this is not enough to grant financial security to these workers over a sustained period of time. The BFI strongly recommends that the Government consider how these workers can be supported in the event of any second wave of COVID-19 infection. As set out above, film and TV production is an area of rapid growth, but existent skills shortages threaten to be exacerbated and to jeopardise growth if members of the workforce leave due to a lack of financial stability. Options for support could include the extension of SEISS to PAYE freelancers in future, using a combination of HMRC and SIC data to identify relevant candidates.

Q: How and when should the Government’s support packages be wound up?

Government should consider the role JRS and SEISS may play beyond October. Cinemas anticipate continued hesitancy among audiences around returning, impacting box office. Similarly, post-production businesses are expected to experience a considerable loss of business later in the year, as they feel the impact of halted production during lockdown (as set out above, only £39m of the £1.1bn of production activity scheduled for Q1 2020 completed). JRS could play a major role in supporting the long-term viability of these businesses.

SECTION B: OTHER GOVERNMENT INTERVENTIONS

Q: Should the Government intervene more actively in terms of state aid, bail-outs and its industrial strategy?

The Screen Sector Taskforce has developed a set of six interlinked policy interventions which work together to secure the recovery and future growth of the UK screen industries. The interventions are tailored to different parts of the screen sector value chain, from film & TV production to cinemas. This means they must be implemented as one package in order to ensure consistent recovery. They are as follows:

1. Health and safety guidance for returning to work, including for production, cinemas and post-production
2. A guarantee fund to provide crucial production insurance
3. Time-limited uplifts to the creative sector tax reliefs
4. A quarantine exemption for key cast and crew travelling to the UK
5. A new Global Screen Fund to secure worldwide exports
6. Financial support for the distribution and exhibition sector as they reopen

Further detail on each of these interventions and the critical issues they address is set out below.

1. HEALTH AND SAFETY GUIDANCE

The problem: COVID-19 resulted in all UK cinemas being closed by the UK and devolved Governments, rendering their revenues to zero. Film and TV production also shut down, with only £39m of the £1.1bn of film and HETV production spend scheduled for Q1 2020 completed before lockdown measures were enforced. VFX, post-production and video games studios were also forced to close their premises, with the halt in production during lockdown set to reduce their pipeline of business later in the year. It is essential that industry and Government agree a way of returning to work in a way that is safe in order to allow recovery.

The solution: Taskforce members have developed guidance for returning to work in a safe manner that manages the risk posed by COVID-19. This complements guidance developed by the UK and devolved governments for returning to work in other sectors. Multiple guidelines have been created tailored to the different working practices across the screen industries:

- **Film and HETV drama:** Covering every aspect of physical production. Led by the BFC and its inward investment sub-group on physical production. These guidelines were developed through consultation with both the independent film working group and the wider sector. They complement guidelines for wider television production developed by UK broadcasters in collaboration with Pact and the Association for Commercial Broadcasters and On-Demand Services (COBA).¹⁰ Published on 1st June and available [here](#).
- **VFX:** Covering every aspect of post-production. Led by UK Screen Alliance in consultation with industry as part of the inward investment sub-group on VFX and post-production. Published on 1st June and available [here](#).
- **Exhibition:** Led by UK Cinema Association as part of their work as co-chair of the distribution and exhibition working group. Available [here](#).

Each set of guidance was prepared with input from the devolved administrations in Wales, Scotland and Northern Ireland, and in consultation with Public Health England (PHE) and the Health and Safety Executive (HSE). While compliance with these guidelines is not mandatory, they provide best practice enabling industry to operate with confidence. The BFC and BFI are working with industry skills bodies ScreenSkills and Skills for Health to provide free online training on how to implement and abide by the film and HETV drama guidelines, with discussion ongoing on other sets too.

Status of intervention: All guidance delivered and published.

2. PRODUCTION INSURANCE

The problem: Film and television production need full insurance cover to recover - particularly domestic film and television production, for which additional costs are more difficult to absorb. COVID-19 represents a huge risk in terms of outbreaks on set as well as any shutdown during a potential second lockdown. But the scale and novelty of this risk means insurers do not yet offer policies to cover it. Financiers will be unwilling to cover this cost, independent production companies would face financial ruin, and commercial broadcasters are under enormous financial pressure due to the ongoing slump in advertising revenues, with commissioning budgets slashed. Without intervention, no new projects will be greenlit. This will permanently damage jobs, growth and talent development while massively reducing the pipeline of new content available to audiences. Government intervention is therefore essential.

The solution: A production guarantee fund to be introduced by UK Government on a time-limited basis. While a 'Pan Re' model for insurance across the economy may be developed in the medium/long term, a guarantee fund would cover losses incurred due to COVID-19 in the meantime. The Taskforce recommends a maximum guarantee facility of £580m to ensure proper coverage for industry, though it is highly unlikely that anywhere near this amount would ever be drawn down. Benefits would far outweigh costs, securing £2.2bn in independent and domestic production spend and 75,000 jobs across

¹⁰ <https://www.pact.co.uk/member-services/resource-library.html?q=Industry+wide+TV+Production+Guidance>

the film and TV sectors, while underpinning £5.05bn in exports too. The production guarantee fund is similar to interventions introduced in France and Austria.

Status of intervention: Submitted to DCMS. The proposal is in discussion with HMT.

3. TIME-LIMITED UPLIFTS TO FILM AND TELEVISION SECTOR TAX RELIEFS

The problem: Restarting production in accordance with the guidelines set out above will come at considerable extra cost. The need for reduced crews and measures such as staggered breaks will extend shooting schedules, while the need for PPE will incur extra costs too. It is estimated that the additional costs will add between 9-29% to a production. This increase in costs will lead to a drastic reduction in the number of film and TV shows being commissioned.

This in turn will destabilise the UK's world-class VFX and post-production sector, which faces a long period with little work later in the year due to the suspension of all production during lockdown as well as the extended time it will take productions to complete once they have got back up and running. With the end of the Job Retention Scheme leaving them facing very high fixed costs, prices will increase and undermine their ability to contend with international competitors that benefit from more advantageous reliefs. Industry predicts that this will result in considerable loss of business.

The additional costs and time associated with production and post-production will jeopardise the UK's status as a world-leading production hub and risks our ability to secure inward investment in future. This danger has been exacerbated by the recent introduction of uplifts in relief by a number of international competitors including France, Spain, Italy and Australia.

The solution: Creative sector tax reliefs have been operating successfully since their 2007 introduction to mitigate multiple market failures in film and TV, producing a generous return to the exchequer – with film alone returning £7.69 for every £1 spent.¹¹ We urgently need approval for the following time limited changes:

- An uplift in the rate of tax relief for film, high-end TV, animation, and children's TV
- For shows over that certain level, there are additional criteria to be met to qualify for the increased tax relief, to ensure that the intervention leads directly to increased activity in the UK
- A relaxation of the qualification criteria in screen sector tax reliefs - to support our world class VFX and prevent job losses

A positive announcement is required as soon as possible to give confidence to producers who are currently making inward investment decisions for 2021 and beyond. Although any tax relief change will take time to implement, by announcing a planned emergency change now we will still be able to attract future productions and not lose ground to our overseas competitors. Any postponement will be hugely damaging in economic terms and threaten our growth projection of £6bn production spend by 2024.

Status of intervention: Submitted via letter to the Chancellor and the DCMS SoS. The Taskforce is in discussion with HMT and DCMS on these proposals.

¹¹ BFI, *Screen Business Report*, 2018,

4. QUARANTINE EXEMPTION FOR KEY CAST AND CREW

The problem: The viability of many film and TV productions is critically reliant on the availability of a small number of key cast and crew, from high-profile actors to highly specialised workers like cinematographers, living and working around the world. While each of these workers may only be needed for a number of days at different points in the process, their presence is essential for production to take place - generating a huge number of supporting roles for the wider UK workforce. The availability of key talent is often also key to securing financing for new projects. The very small number of people from around the world filling these key roles means there is fierce international competition to secure this talent, with their schedules often fully booked for months if not years in advance.

If new requirements on those travelling to the UK to self-isolate for two weeks cause scheduling conflicts for key cast and crew, it may cause productions to collapse and jeopardise the UK's ability to attract new inward investment projects.

The solution: An exemption from quarantine requirements for international travellers for key cast and crew travelling to the UK. Introduced in tandem with strict alternative measures to ensure crew safety, this would ensure production is not held up by the scheduling pressures on essential talent who may be unable to quarantine for 14 days, while preventing budgets from spiraling due to the cost of quarantining these workers. Such a move would help to secure the UK's status as a world-leading production hub going forward. This is similar to other countries' approaches including New Zealand, the Czech Republic and Poland.

Status of intervention: Request submitted to The Prime Minister's Office, copied to the Home Office

5. GLOBAL SCREEN FUND (WORKING TITLE)

The problem: Effective public sector support has played a crucial role in securing UK independent film's position in the international market, with 40% of exports going to Europe.¹² Support through the Creative Europe programme has historically remedied critical market failure, financially incentivising distributors to acquire and disseminate UK content to European markets. As the UK ends its participation in the Creative Europe MEDIA programme, a domestic alternative is required to enable the UK to continue to effectively compete with subsidised European films and reach audiences worldwide.

The independent sector is predicted to shrink by 10% without a replacement fund, costing 1,200 jobs. With the impact of COVID-19 threatening the future of many independent film companies, from distributors to exhibitors, this support is more important than ever.

The solution: A Global Screen Fund of £17m per year would enable UK independent film to reach international markets and collaborate with industry worldwide. Funding would support co-development and co-production as well as distribution and sales agents. It would also enable a rebrand of UK film for international markets, provide cutting-edge data and analysis on audience demand for UK content and provide training and resources for UK talent looking to work on an international scale.

¹² BFI Statistical Yearbook 2019

Announcement of this fund before the end of July is imperative if UK independent filmmakers are to continue to export competitively. Delaying its announcement until January 2021 would mean losing an additional 53% of current sales.

Status of intervention: In discussion with DCMS and HMT

6. FINANCIAL SUPPORT FOR DISTRIBUTION AND EXHIBITION

The problem: The forced closure of cinemas has halted virtually all their revenue streams - including ticket sales, commercials and on-screen advertising - while fixed costs including commercial rents continue to burn up reserves. Their financial situation threatens to get worse at the point of reopening: cinemas estimate that they will only be able to sell 20 – 25% of seats to comply with 2m social distancing guidelines, with this total increasing to around 30% with 1.5m distancing and 35-40% with 1m. Research suggests a major decline in audience demand due to anxiety around enclosed spaces. The sector estimates that revenues will fall by 60% while operating costs increase by 20 – 30%, making it financially unviable for many of the UK's 775 cinemas to open. 41% of independent venues report that they will not be able to open in line with social distancing guidelines, while major cinema operators expect to keep up to 30% of venues closed upon reopening. This poses an existential threat to many in the long term, including independent venues in particular.¹³

The solution: A package of relief designed to help cinemas mitigate the costs of reopening. This includes a resilience fund to provide grants to independent cinemas. This would allow venues to reopen in a sustainable manner, securing the long-term health of the UK Box Office (worth £1.3bn in 2018) and providing communities across the UK with access to one of the most popular forms of culture nationwide.

Status of intervention: Detail has been submitted to DCMS. This will dovetail with DCMS' work on resilience across the cultural industries more broadly.

June 2020

¹³ Data collected by the BFI and Independent Cinema Office