Written evidence submitted by British Screen Forum (PEG0076)

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A. EXECUTIVE SUMMARY

Background

This submission is being made by British Screen Forum, a membership organisation through which many of the best informed and most influential people in the UK screen sectors convene to interrogate issues of importance and influence policy and the thinking around policy. The screen sectors comprise film, TV, video games and video on demand (and form a key part of the broader Creative Industries). They involve the creation and exploitation of intellectual property in the form of audiovisual content which is accessed by the public through a screen. At its heart, our industry is about storytelling and answers a basic human need which is both eternal and universal.

Pre-pandemic screen sector growth

The UK has an exceptional record of success in creating screen content for both domestic and international audiences. In addition to widely recognised 'soft power' benefits, this success has helped to drive the above average growth in Gross Value Added (GVA), in exports and in jobs that has been delivered by the Creative Industries as a whole over the past decade. In the most recent figures, the UK Creative Industries generated GVA of £111.7 billion[1], exports of £35.6bn[2], and 2.1m jobs[3].

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[1] Source: DCMS Sectors Economic Estimates GVA 2018

[2] Source: DCMS Sectors Economic Estimates 2018 Trade In Services , page 7

[3] Creative Industries jobs grew by 34.51% between 2011-19, jobs in the wider economy by 11.36%.
Source: DCMS Sectors Economic Estimates Employment 2018 and DCMS Sectors Economic Estimates Employment 2019

The jobs the screen sectors create are 'jobs of the future': less vulnerable to technological change, high skill / high productivity in nature, and increasingly spread across the nations and regions and less advantaged groups.

Productivity in the video game sector is 35% higher than the UK average, for visual effects productivity is 31% higher than the UK average, and for film, High-End TV and children's TV productivity is 25% higher than the UK average.

Between 2015 and 2018, Creative Industries jobs grew faster than the UK average in Scotland, Wales and Northern Ireland, and in 6 of the 9 regions of England. The strongest jobs growth was in the North East with an increase of 21.1%. The North West and Northern Ireland also saw double digit increases in Creative Industries jobs[4]. The number of BAME people working in the Creative Industries has increased dramatically in recent years, rising 34.6% from 2015-18.[5].

Impact of the pandemic

The pandemic has had a devastating effect on most screen sector activity:

- All film and most TV production was shut down, with projected film and High-End TV production expenditure in 2020 down from £4,182bn to £1,087bn[6]. Of the £1.1bn of film and High-End TV production spend scheduled for Q1 2020, only £39m was completed before lockdown measures commenced[7]. Covid-secure production protocols are expected to increase production costs by an average of 20%[8] once activity resumes and independent UK film will be particularly badly hit.

- TV adverting revenues are estimated to have experienced their largest quarterly fall ever. The shutdown of live sport was a key driver of lost broadcast and advertising revenue.

- All cinemas were closed, losing an estimated £5.7m per day[9]. 95% of the cinema workforce of 15,300 was furloughed[10]. Once reopened, Covid-secure operation is expected to decrease cinema revenues by 60% and increase costs by 30%[11].

- Shutdown of non-essential retail outlets closed off many DVD/Blu-ray and video game disc sales – a market still worth over £1.1bn in 2019[12].

- Visual effects (VFX) and post-production experienced a lagged effect, but will experience a severe contraction in demand for many months after production resumes.

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[4] Source: DCMS Sectors Economic Estimates Employment 2015 and DCMS Sectors Economic Estimates Employment 2019
[5] Ibid
[6] Source: Saffery Champness / Nordicity
[7] Source: BFI
[8] Estimates provided by BFI
[9] Source: UKCA
[10] Source: BFI
[11] Source: BFI
[12] Source: 2020 Yearbook Statistics, ERA

In addition, British Screen Forum notes the cuts in TV programme spend already announced[13] and expects ongoing pressure on commissioning budgets, especially as total UK advertising spend is expected to drop by up to £4.2bn in 2020.
Much screen sector activity is project based and consequently many jobs are freelance. Though the skills and salaries involved set this apart from the 'gig economy' as usually conceived, the freelance screen sector workforce has been disproportionately affected: 74% of Film and TV freelancers do not expect to be eligible for either of the Government's principal coronavirus support schemes for workers.[14] For example, many operate through short term PAYE contracts moving between employers and are ineligible for SEISS.

Industry response

In response to the pandemic, the screen sectors adopted – through the BFI Screen Sector Task Force - a co-ordinated, pro-active and unified approach with constructive engagement with government at every step.

Industry-led emergency action was taken to mitigate the hardship being faced by many freelancers in the sector. Independent screen sector companies were given emergency support by the BFI and by national screen agencies, with the aim of ensuring the best possible recovery post-lockdown.

The screen sectors also immediately started planning a route back to recovery, identifying barriers to restart and developing at pace strategies to overcome them. As a result, Covid-secure guidelines for the resumption of film and TV production and post-production, and the reopening of cinemas were agreed with Government during May and June 2020, and live sport was back on TV in June 2020.

However, a number of key barriers to recovery need to be addressed at government level:

- Insurance - independent producers need to be able to insure against pandemic related risk and this facility will not be provided by the market in the foreseeable future. Without this, companies cannot secure the finance necessary to cashflow productions. It is absolutely imperative that any government-backed solution should be implemented quickly, be comprehensive, and endure long enough to support projects from start to finish.

- Production incentives – public support for UK production needs to be internationally competitive in light of increased costs and improved incentives in other territories.

- A UK fund to replace Creative Europe – vital to support the independent UK film sector which plays a key role in developing screen sector talent.

Questions posed by the Committee

Q1. What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

The Government should focus on sectors with:

[13] For example, by Channel 4, see: https://variety.com/2020/tv/news/channel-4-slash-programme-budget-ad-revenue-plunges-due-to-coronavirus-1234574539/
[14] Source: Film and TV Charity submission to DCMS Select Committee, June 2020

- Strong record of recent growth
- Potential for further growth
- Established competitive advantage in international markets
- Proven ability to attract inward investment
- High skill, high productivity workforce
- Roles less vulnerable to technological replacement
- Proven potential to drive growth and prosperity across the nations and regions and across all demographics

The screen sectors meet all of these criteria and there is a compelling case for incentivising the UK as the pre-eminent choice of location for the international audiovisual sector, building upon the strength of facilities, skills, creative talent and IP protection.

Given the pandemic impacts and the need to recover quickly and stimulate activity across the whole economy, particular focus should be given to sectors – such as the screen sectors - which both meet the above long term tests and can also:

- Inject large amounts of capital into the economy quickly
- Demonstrate a strong track record of stimulating activity beyond the sector itself

Q2. How can the Government borrow and/or invest to help the UK deliver on these principles?

The Government can invest to help the UK deliver on these principles by (a) identifying sectors which conform with them and (b) by investing further in initiatives known to benefit the development of those sectors.

The screen sectors meet all the relevant criteria. Government could unlock growth potential in the screen sectors by investing further in the development of the talent that lies at the heart of the industry's strong economic growth and also in carefully targeted incentives with a proven record of stimulating growth in the sector.

For talent development this would include:

- An education system which recognises the importance of creativity and which builds closer links between education and industry.
- An apprenticeship and skills framework which works for creative, project based activity and in which many job roles are filled by freelancers.

- Initiatives to ensure that opportunities in the screen sectors are promoted and facilitated across all demographics, including through the development of creative clusters and regional hubs to unlock talent in the nations and regions.

For proven incentive schemes this would include:

- Enhancing the Creative Tax Reliefs which have delivered returns on investment for each £1 of tax relief of £7.69 (film), £6.10 (High-End TV), £4.44 (animation), £4.00 (video games) and £2.73 (children's content)[15]. We therefore support the Screen

Sector Task Force proposal for a time-limited uplift to the creative sector tax reliefs to help absorb increased production costs and keep UK industry competitive, specifically an uplift in the rate of tax relief from 25% to 32% for film, high-end TV, animation, and children's TV up to a certain budget level. For shows over that certain level, additional criteria would need to be met to qualify for the increased tax relief, to ensure that the intervention leads directly to increased activity in the UK, with minimal deadweight cost.

- Establishing an effective UK replacement fund in light of the UK's withdrawal from the Creative Europe programme.

Q3. What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

Clear messaging about risks and mitigations will be important to help build confidence about returning to enjoy the cinema experience and the temporary cut in VAT on cinema tickets announced on 8th July 2020 may help to stimulate demand. Over the longer term, progress back towards full cinema capacity will be necessary for economic sustainability and will be dependent on issues beyond the control of industry, such as the further suppression of Covid-19 and/or the development of a vaccine. Given the pressure on independent cinemas, their inclusion in the Government cultural support package announced on 5th July 2020 is particularly welcome and we look forward to seeing further details of how the scheme will operate.

Rebuilding consumer and business confidence more generally is also vital to help rebuild the advertising revenues on which many screen sector businesses ultimately depend.
Although the pandemic has hit the screen sectors hard, there is strong demand for UK screen sector content and services, both in the UK and internationally (including through streaming services). To kick start the sustainable growth the sectors can deliver the short term imperative is unblocking the production pipeline (including by dealing with the insurance issue, see below), reopening more cinemas and sports events, and addressing the cost and revenue issues driven by measures to deal with the pandemic. Drags on sector confidence and brakes on restarting production need urgently to be dealt with. In particular:

- Immediate and long term solutions are required for the issue of production insurance given the fact that the insurance market will not cover Covid related risks. Without this, many productions cannot start in the UK and both finance and production activity are flowing elsewhere.

- Support for increased production costs while social distancing requirements are in place, and while advertising revenues are depressed.

- Film/TV production workers should be exempt from UK quarantine requirements as many productions rely on international talent with busy schedules which cannot accommodate periods of quarantine. We therefore welcome the recent Government announcement on this issue[16].

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[15] Source: Screen Business: how screen sector tax reliefs power economic growth across the UK – Olsberg.SPI & Nordicity for the BFI, 2018

[16] See: https://www.gov.uk/government/news/selected-sporting-events-tv-and-film-exempt-from-quarantine

- An appropriate UK fund to replace participation in Creative Europe is required given the longstanding and well-known market failures in the independent film sector which will not otherwise be remedied.

With or without the pandemic, the screen sectors need five overarching factors to be in place in order to deliver sustainable growth: access to the right talent, access to markets, access to finance, the ability to create across borders, and a supportive copyright and enforcement regime. If that framework is in place, the UK screen sectors will deliver strong future export-led growth and create more high skill / high productivity 'jobs of the future' as they have over many recent years.

Q4. Whether the government should give a higher priority to environmental goals in future support?

The screen sectors are committed to supporting progress towards environmental goals and have developed a number of industry-led initiatives.

Government should work with the screen sectors to explore how industry initiatives can be supported and developed further to support environmental goals. This is particularly important given the likelihood that the EU will make funds available to Members States to support industry transition to a new sustainable environment. UK screen sector companies should not be put at a competitive disadvantage.

Q5. Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?

British Screen Forum supports the prioritisation of certain sectors, specifically those sectors which – like the screen sectors - meet the criteria set out in response to Q1. Prioritising such sectors will drive greater, more sustainable growth and deliver more high value jobs than spreading public support more thinly across the whole economy.

The screen sectors represent a global economic success story for the UK and should be prioritised in any growth strategy. We note that the Creative Industries (including the screen sectors) were rightly identified as priority sector in the Industrial Strategy developed during the previous Parliament.

We recognise the need to ensure that the benefits of growth are shared across the nations and regions and across demographics. Any new public policy initiatives should be developed in close consultation with the sector to avoid unintended negative effects, including in relation to the many SMEs which make up the sector.

Q6. How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?

As we noted in response to Q2, the UK needs an education system which recognises the importance of creativity. We do not challenge the importance of STEM subjects, indeed, many jobs in the screen sectors require a combination of creative and STEM skills, and that is increasingly the case, but note that the extraordinary domestic and international success of the screens sectors is driven by creativity and that creative subjects have been deprioritised over many years with the consequence that a valuable UK resource has been underexploited.

We also need an apprenticeship and skills framework which works for creative, project based activity. Given the current scheme's requirement for apprentices to be employed by a single employer for a minimum of a year, the nature of production work in the screen sectors – with projects rarely lasting for 12 months - mean that for many companies in the sector, the Apprenticeship Levy is simply a payroll tax with no positive effect on training. The current pilot scheme being administered by ScreenSkills with funding from DCMS is a positive step.

Given that this is a devolved matter, skills policies across the UK should encourage collaboration and reciprocity across the UK nations to maximise the availability and use of employer-designed Apprenticeship Standards.

Government should work with the screen sectors to develop initiatives to ensure that opportunities in our industry are promoted and facilitated across all demographics, including through the further development of creative clusters and regional hubs (including Salford, Leeds and Glasgow) to unlock talent in the nations and regions.

We also note the historic importance of the Public Service Broadcasters and the Independent Film sector, as well as commercial broadcasters, in developing talent and career progression. In this regard there is a particular need for urgent intervention to preserve the Independent Film sector, given (a) the challenging market conditions it has been facing in the shift from analogue to digital and (b) the UK's withdrawal from the Creative Europe programme that has played a vital role in supporting that part of the UK screen sectors.

Retention is also key. The UK screen sector's high skill, high productivity, creativity-driven workforce is both portable and in great demand in competitor territories. It is therefore vital that UK production incentives are internationally competitive so that UK companies can retain staff and production activity remains high to prevent a 'skills drain'. In a world class sector like the screen sectors, 'the best want to work with the best' and creative teams thrive on difference – we need a migration and visa policy that allows this to continue to happen in the UK.

The pandemic lockdown has underlined the precarious nature of freelance working. There needs to be long term thinking – involving industry and government - about the mechanisms and frameworks that might support skill retention and upskilling in relation to such a high productivity, high value but freelance workforce, many of whom were left without support during the pandemic.

Q7. Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?

The priority should be to ensure that public policy interventions in the economic sphere focus on those sectors with the attributes we set out in response to Q1.

The Industrial Strategy was a way of formalising that approach, but the approach, and the policy it drives, is more important than the label it is given or the framework within which it sits. What is still relevant is the identification of the Creative Industries (including the screen sectors) as one of the key industrial sectors on which the UK's future economic growth and prosperity depends. That judgement was founded on compelling evidence and is even more valid today than it was in 2017.

Q8. How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralties, and councils) be reformed and better equipped to deliver growth locally?

Currently too few LEP's recognise the potential of the Creative industries to drive growth and too many are focussed on goods rather than services. They should be encouraged to engage with screen sector trade bodies to address this shortfall in understanding.

Q9. What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

To drive forward those broader Government priorities, support for industry should focus on those sectors best able to deliver them, not least the screen sectors which have such a strong record of global export growth, of attracting inward investment on a large scale and of creating the high productivity jobs of the future on which the long term success of the levelling up agenda depends. Facilitating the development of further studio space presents a particular opportunity, particularly outside of London and the South East. We note that in the post-Brexit era, the UK has more flexibility with regard to the scale of the support it can provide through mechanisms that have been proven to be effective, such as the Creative Tax Reliefs.

In delivering those priorities, the Government should engage fully with relevant sectors on the design of any support and in setting priorities, for example in relation to export markets. In relation to the screen sectors, where much activity is internationally mobile, care should be taken not pursue broader social and environmental priorities in a manner which will have the unintended consequence of driving the economic activity offshore to territories where such interventions are not in place.

We would also note that – as evidenced in our response to Q4 – the screen sectors have been playing a positive role in pursuit of the Net Zero target.

Q10. What lessons should the Government learn from the pandemic about actions required to improve the UK's resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?

There is an obvious need for improved medical testing capabilities for the state and for private industry so that future outbreaks can be identified quickly and action taken at an early stage to avoid the need for economy-wide lockdowns. It is also clear that many companies lacked the reserves necessary to survive a prolonged shock to revenue streams – policies designed to encourage the maintenance of healthy reserves should be considered.

In addition, we would highlight two key lessons for Government based on the particular experience of the screen sectors during the pandemic.

Firstly, better ways of protecting freelancers during such shocks are required. We would strongly encourage Government to work with the screen sectors to design a more supportive framework for our freelance workers, many of whom were unsupported by the government measures introduced during the pandemic.

Secondly, in common with other project based activity, much screen sector production activity – particularly in the independent sector – cannot proceed without insurance, as insurance is a condition of finance. For circumstances in which an external shock creates an uninsurable risk which will prevent recovery, Government needs to be ready to intervene both in the short term (through emergency loss mitigation measures, such as a fund to cover a share of any losses) and through a long term risk-pooling facility.

Q11. What opportunities exist for the UK economy post Brexit and the pandemic for export growth?

If the Government prioritises sectors with the most export potential, then excellent opportunities exist for export growth. Support for the screen sectors therefore presents a prime opportunity.

The continuing international demand for screen sector content and services is not in doubt and the UK is well placed to supply it, boasting an exceptional record of success in creating screen content for audiences right around the world:

- The UK is the world's second most successful exporter of TV content after the USA, and therefore punches well above its weight[17] with TV exports alone worth £1.4bn in 2018/19, up 7% year on year and a record high.
- Total revenues from UK film exports were worth £2.4bn in 2017, with UK made films generating $10.3 billion in global theatrical box office receipts, a 25% share[18].
- There are more than 2,200 active games companies in the UK, including the creator of Grand Theft Auto V, the best-selling entertainment product of all time, selling 115 million units worldwide and generating over $6 billion in global revenue[19].
- For UK YouTube creators, 85% of viewership comes from outside of their home country[20].

This track record provides an excellent base on which to build further export growth, especially given the opportunities that exist in developing markets. We would therefore encourage even greater support for screen sector export activity and more sector involvement in the setting of priorities and the design of export support initiatives.

[17] Source: EURODATA TV / MEDIAMETRIE. Figures relate to the period: 1 March 2015 to 28 February 2016
[18] Source: We Are UK Film
[19] Source: Data provided by Ukie
[20] Source: Data provided by Google

We would also note the important truism that Britain has left the EU but has not left Europe. Europe remains an important export market for the UK screen sectors and there is a high degree of interconnected activity involving multinational screen sector companies working across the UK and EU Members States, and between UK companies working with partners in EU Members States. As the UK is no longer a Member State, we need to develop a new model for pan-European working, and this should include ensuring continued ease of cross-border working for production cast and crew. Doing this will require engagement from both Government and industry.

Q12. What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?

The pre-pandemic screen sectors enjoyed a generally healthy if complex ecosystem - despite severe challenges for UK Independent Film. This was based on a mixed ecology (PSB/Commercial, Public/Private, Ad funded/Subscription/Licence Fee funded, Large/Small, Inward Investment/Domestic finance, etc.) supported by a range of strategic interventions, including highly effective screen sector tax reliefs which have delivered returns on investment for each £1 of tax relief of £7.69 (film), £6.10 (high-end TV), £4.44 (animation), £4.00 (video games) and £2.73 (children's content)[21].

Despite the scale of the economic shock delivered by the pandemic, an enhanced ownership role for Government is neither necessary nor desirable in the screen sectors. Rather than Government taking a larger shareholder or investment position, the screen sectors will best deliver the sustainable, export-led growth the UK requires if Government focusses on ensuring an appropriate framework within which screen sector businesses can operate, supported by targeted policy interventions, such as the Creative Tax Credits which are proven to deliver significant return on investment and the Cultural Recovery package which will support independent cinemas as they re-open and re-build their audiences. We would note the considerable inward investment in the UK screen sectors, not just in terms of individual film and TV projects, but also in the development of studio capacity and long term leases of production facilities. A long term commitment by Government to supporting the screen sectors – especially through the Creative Tax Credits - would encourage more foreign investment.
If the screen sectors have access to the right talent, access to markets, access to finance, the ability to create across borders, and a supportive copyright and enforcement regime they will deliver post-pandemic growth for the UK and create sustainable high productivity jobs of the future.

B. ABOUT BRITISH SCREEN FORUM

British Screen Forum is where many of the best informed and most influential people in the UK screen sectors convene to interrogate issues of importance and influence policy and the thinking around policy. We provide a unique and trusted space for key players from the screen sectors to come together to debate the implications of the evolving landscape and the policy and regulatory environment, and to gain unrivalled insight into emerging themes and innovative technologies. British Screen Forum has authority and impact – not only as a result

[21] Figures for 2016 (latest year available). Source: Screen Business: how screen sector tax reliefs power economic growth across the UK – Olsberg.SPI & Nordicity for the BFI

of the influence, status and credibility of its members, the unrivalled quality of its insight and the high level access it provides to decision-makers, but also because it values and includes individuals, organisations and bodies who seek to frame the debate for the future of the UK screen sectors.

Members are senior figures drawn from a wide range of businesses and organisations operating in the film, TV, video game and/or online sectors. We aim to cover the whole value chain as well as the full range of means of distribution, so include members who can speak for writers, technicians, independent producers, directors, studio operators, distributors, exhibitors, broadcasters, games publishers, games developers, pay TV platforms and online platforms. It is a unique cross-sectoral mix, with a balance of creative, policy and business specialists. Further details are available on our website.

We are making this submission because we were established to advance the prosperity and enhance the prestige, effectiveness and reputation of the audiovisual and interactive industries of the United Kingdom, including by making representations to policy makers on legislation or other public matters which affect the business or professional interests of Members.

C. THE SCREEN SECTORS

The screen sectors comprise film, TV, video games and video on demand. They involve the creation and exploitation of intellectual property in the form of audiovisual content which is accessed by the public through a screen.
At its heart, our industry is about storytelling, about providing people with ways of understanding and exploring the world in which they live. It answers a basic human need which is both eternal and universal. Although modes of delivery will continue to evolve to reflect changing lifestyles and technology, and despite the problems posed by the pandemic, the continuing demand for screen sector content and services is not in doubt.

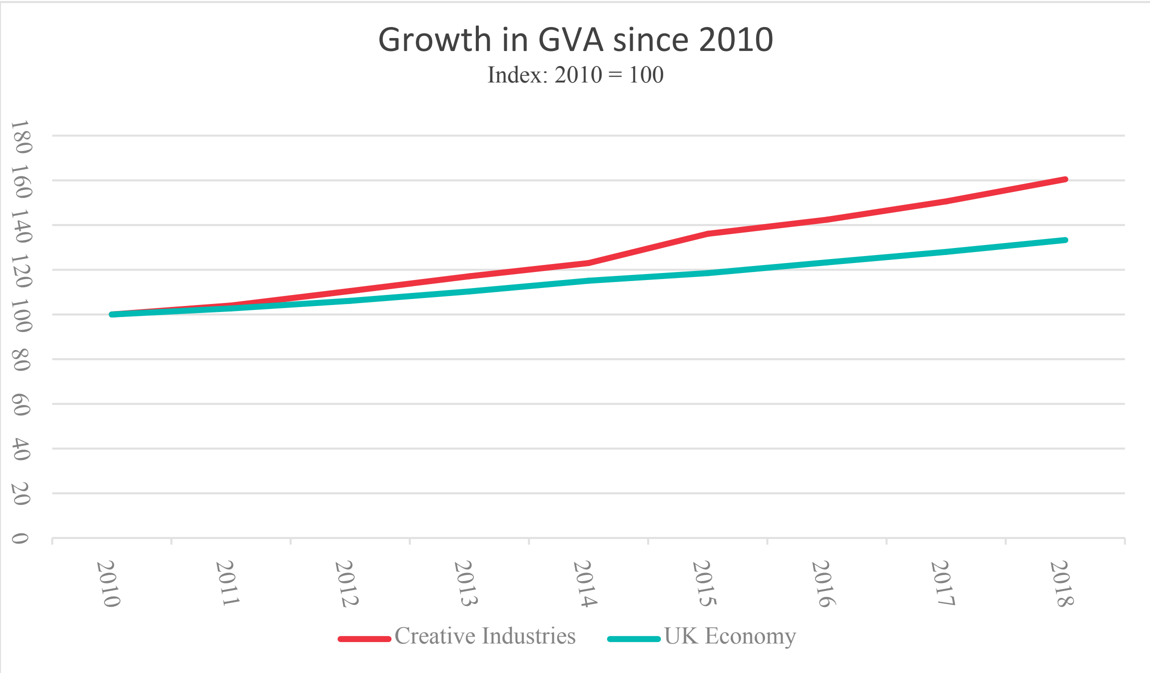
The UK has an exceptional record of success in creating screen content, not just for domestic UK audiences, but for audiences right around the world. This success has delivered not only the economic growth detailed below, but as an export with a cultural dimension has also delivered significant 'soft power' benefits for the UK around the world.

The screen sectors form an essential part of the broader Creative Industries. Although the screen sectors have important characteristics which distinguish them, they are interconnected with the broader Creative Industries in multiple ways, with many positive feedback loops existing between the screen sectors and, for example, music, fashion and theatre.

D. CONTRIBUTION TO PRE-PANDEMIC GROWTH

The UK screen sectors have a proven track record of delivering sustainable, long term, export-rich growth, and prosperity. Indeed, they have been a key driver of growth in recent years, forming an important part of the broader Creative Industries (which, alongside the screen sectors, include other creative activities such as music, performing and visual arts, architecture, design and fashion).

Together, the Creative Industries represent a global economic success story for the UK. They account for 5.8%[22] of the UK economy, contributing £111.7 billion Gross Value Added[23], growing significantly faster than the wider economy since 2010 and at over five times the rate of the wider economy between 2017 and 2018[24].



Data source: DCMS

Much of this growth is export led, with exports growing to £35.6bn in 2018[25], more than doubling in value since 2010 and growing at twice the rate of services across the economy as a whole over that period (and accelerating particularly strongly since 2015).[26]

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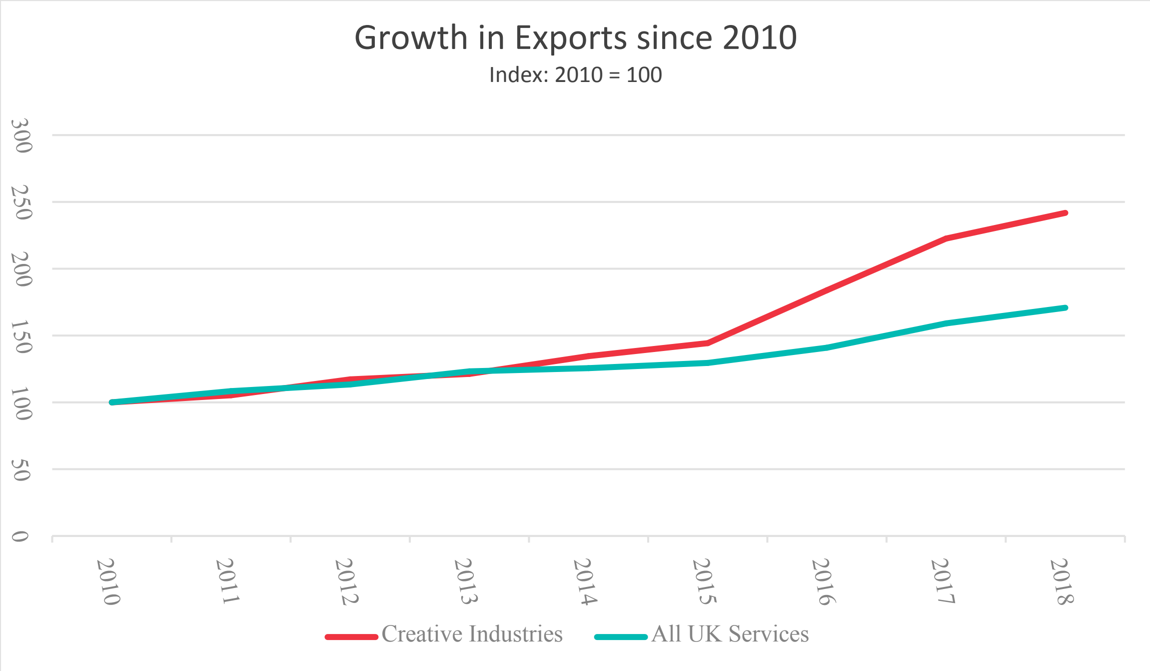
[22] 2018 figures. Source: DCMS Sectors Economic Estimates GVA 2018
[23] Ibid
[24] Ibid. Creative Industries GVA grew at 7.4%, the economy as whole by 1.4%
[25] Source: DCMS Sectors Economic Estimates 2018 Trade In Services , page 7
[26] Creative Industries exports were worth £14.7bn in 2010 and had grown by 142% by 2018. Over the same period the total value of services exported by the UK rose by 71% (from £174.1bn to £297.4bn). Source: DCMS Sectors Economic Estimates 2017 Trade In Services, Table 1 and DCMS Sectors Economic Estimates 2018 Trade in Services, Table 2



Data source: DCMS

The Creative Industries have also delivered strong jobs growth, including for UK nationals. They employed 2.1m people in the UK in 2019, up 34.51% since 2011[27] – a growth rate more than three times the rate seen in the economy as a whole. This success has included employing 156,000 more UK nationals in 2019 than in 2015, an increase of 9.5% in the number of UK nationals employed compared with a national growth rate of 3.1% over the same period[28]
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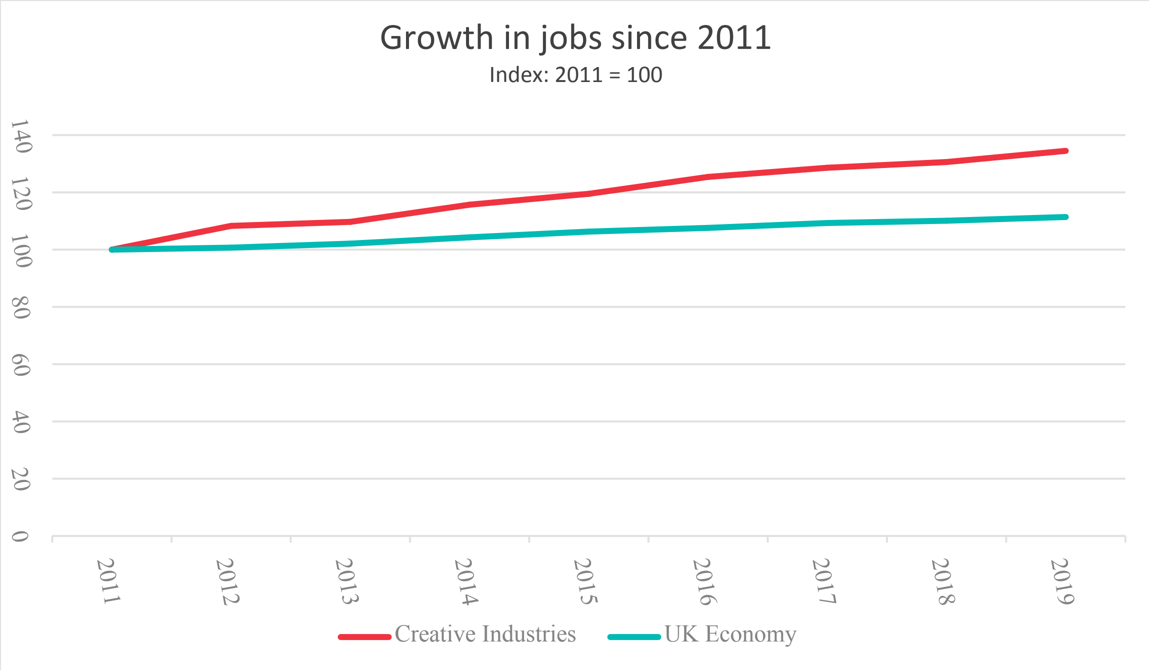
[27] Creative Industries jobs grew by 34.51% between 2011-19, jobs in the wider economy by 11.36%.
Source: DCMS Sectors Economic Estimates Employment 2018 and DCMS Sectors Economic Estimates Employment 2019

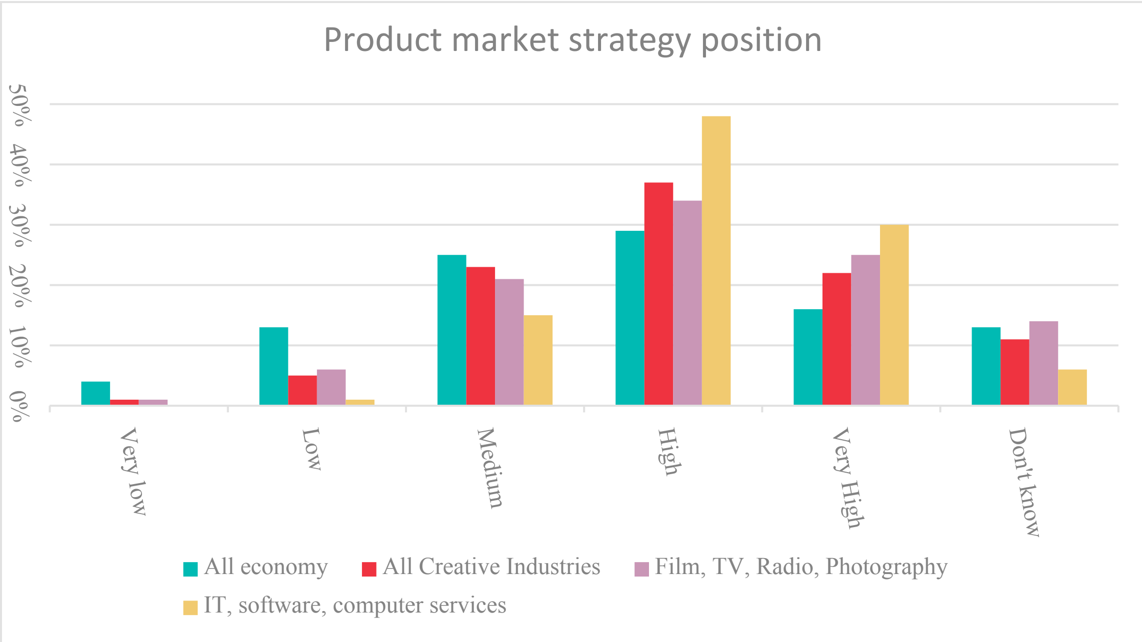
[28] Source: DCMS Sectors Economic Estimates Employment 2015 and DCMS Sectors Economic Estimates Employment 2019



Data source: DCMS

These jobs are high productivity 'jobs of the future'. The UK Employer Skills Survey (UKESS) has found that use of high value-added product market strategies is more common for employers in the Creative Industries than for the economy as a whole: 59% of Creative Industries employers have a high or very high product market strategy against a national average of 45%[29]. Within the Creative Industries, 'film, TV, radio & photography' and 'IT, software and computer services' contain a disproportionately large number of companies with very high product market strategies (see chart below). The UKESS assigns a composite score based on a range of factors including pricing strategies, innovation and nature of the relevant market, with high scores associated with companies that lead and innovate, that tend not to compete on price, and that offer a premium and/or highly customised service. This is significant because employers with higher valued added marketing strategies can be expected to employ staff with higher skills and qualifications.

[29] See 'UKCES Employer Skills Survey 2015' (28 January 2016)



Data source: UKESS

The link between high value product market strategies and skills is evident in the Creative Industries. 64% of employees in the Creative Industries are educated to degree level (or equivalent) compared with 36% across the economy as a whole. When those with higher education qualifications are included, the figure rises to 72% compared with 45% across the economy as a whole[30].

The high value product market strategies and high skills levels are, unsurprisingly, reflected in significantly higher than average rates of productivity, as demonstrated in an analysis of various constituent parts of the screen sectors by Olsberg•SPI with Nordicity[31], the results of which are illustrated in the table below. Productivity in the video game sector is 35% higher that the UK average, for visual effects productivity is 31% higher than the UK average, and for film, High-End TV and children's TV productivity is 25% high than the UK average.

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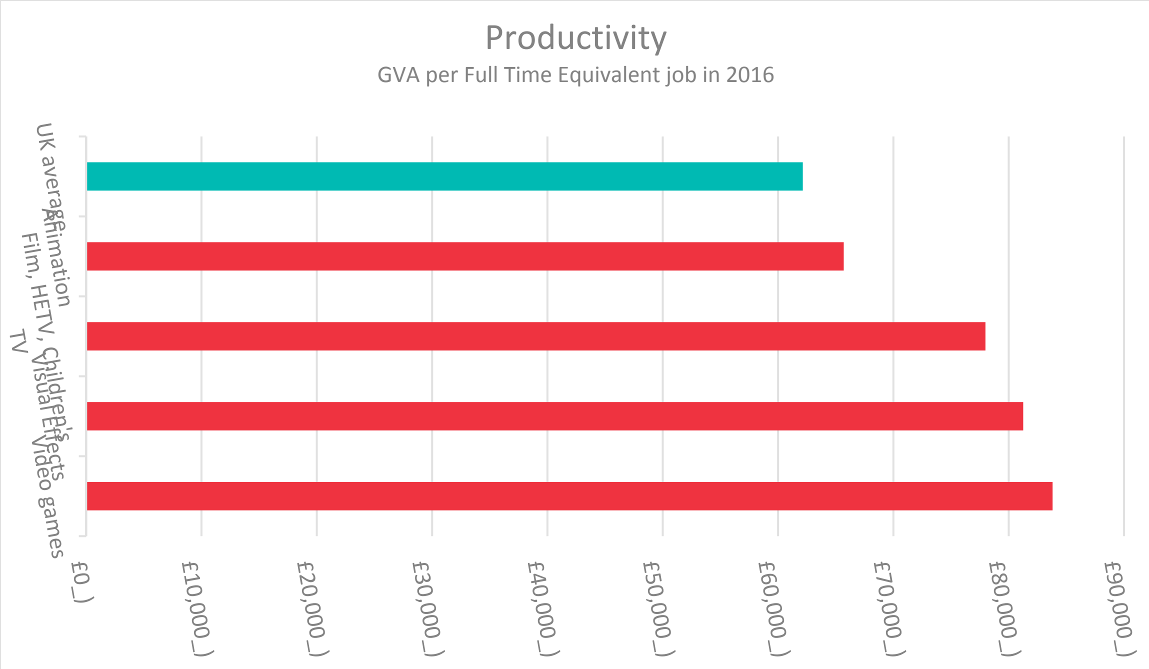
[30] Source: DCMS Sectors Economic Estimates Employment 2019

[31] Source: 'Screen Business – how screen sector tax reliefs power economic growth across the UK', Olsberg•SPI with Nordicity, October 2018



Data source: Olsberg•SPI & Nordicity[32]

Given the creative nature of the work, these high productivity jobs in the screen sectors are considered to be less vulnerable to technological change than in many other industries.

The jobs and prosperity created by the screen sectors are increasingly spread across the nations and regions: between 2015 and 2018 Creative Industries jobs grew faster than the UK average of 3.5% in Scotland, Wales and Northern Ireland, and in 6 of the 9 regions of England. The strongest jobs growth was in the North East with an increase of 21.1%. The North West, Northern Ireland and London also saw double digit increases in Creative Industries jobs[33].

The number of jobs provided for BAME people has also increased dramatically in recent years, rising 34.6% from 2015-18 to a total of 288,000. This represents 14.1% of the Creative Industries workforce[34].

There is, however, significant work to be done to ensure that BAME people, women and other demographics protected under equality legislation (eg those with a disability or LGBTQ+ people), and people from less advantaged backgrounds are more fairly represented, especially at more senior levels, and the screen sectors are committed to achieving this.
The strong economic success delivered by the screen sectors has been driven by a mixed ecosystem (PSB/Commercial, Public/Private, Ad funded/Subscription/Licence Fee, Large/Small, Inward Investment/Domestic finance, etc.) and has been supported by a range of strategic interventions, including highly effective screen sector tax reliefs which have delivered returns on investment for each £1 of tax relief of £7.69 (film), £6.10 (high-end TV), £4.44 (animation), £4.00 (video games) and £2.73 (children's content)[35].

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[32] Source: 'Screen Business – how screen sector tax reliefs power economic growth across the UK', Olsberg•SPI with Nordicity, October 2018
[33] Source: DCMS Sectors Economic Estimates Employment 2015 and DCMS Sectors Economic Estimates Employment 2019
[34] Ibid
[35] Figures for 2016 (latest year available). Source: Screen Business: how screen sector tax reliefs power economic

The performance of the screen sectors is world-class. The trade position demonstrates the clear competitive advantage the UK enjoys in the creative economic activity of the screen sectors and the potential for those sectors to deliver the export-led growth that will be vital to the future prosperity of the whole of the UK.

Creative Industries exported £35.6 billion worth of services in 2018, up 8.6% on the previous year, and following export growth in excess of 20% in each of the previous two years. This strong export growth pattern is well established, with Creative Industries exports up 122.6% since 2010, compared with an all-UK services increase of 59.1%. The Creative Industries now account for 12% of all UK service exports, compared with 8.5% in 2010[36].

These export figures are almost certainly understatements, as they do not capture 'hard to measure' trade flows for creative digital services, such as content viewed through YouTube or accessed globally on online newspapers and publications. A CIC/CIF/CEBR report estimates that, taking these into account (as well as exports in goods), the UK's total Creative Industries exports were worth £46 billion in 2017[37].

The growth of the Creative Industries is also impressive from a European perspective. An ONS report in 2017 showed that since 2014 the economic value of the UK's film, TV and music industries had grown by 72.4%, compared with just 8.5% across the European Union[38].

The screen sectors – from which British Screen Forum membership is drawn – are an important and hugely successful part of the Creative Industries. Looking at the individual sectors covered, indicative statistics show that:

- The UK is the world's second most successful exporter of TV content after the USA, and therefore punches well above its weight[39].

- Total revenues from TV exports were worth £1.4bn in 2018/19, up 7% year on year and a record high, with significant recent growth in Latin America (up 29% year on year) and the Middle East & North Africa (up 28% year on year). Importantly, given the rise of global platforms, pan-worldwide exports are up 58%. Globally successful TV exports include award winning Natural History (Planet Earth II), fly-on-the-wall Reality TV (Love Island) and gripping Drama (Bodyguard).[40]

- These TV export figures exclude foreign sales of UK sports broadcasting rights – foreign sales of broadcast rights to the English Premier League alone are currently worth £1.4bn, up 64% since 2015-16.

- The UK film sector had a turnover of $4.7 billion in 2018, making it the fourth largest film market in the world after the USA, China and Japan, which all benefit from much larger domestic markets[41].

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growth across the UK – Olsberg.SPI & Nordicity for the BFI

[36] Source: DCMS Sectors Economic Estimates 2018 Trade in Services and DCMS Sectors Economic Estimates 2017 Trade in Services

[37] Source: "The true value of Creative Industries digital exports", CIC/CIF/CEBR, March 2018

[38] Source: ONS Monthly economic commentary, July 2017

[39] Source: EURODATA TV / MEDIAMETRIE. Figures relate to the period: 1 March 2015 to 28 February 2016

[40] Source: UK TV Exports Report 2018-19, Pact

[41] Source: BFI Statistical Yearbook 2019

- The combined total spends on film and high-end TV production (HETV) in the UK for 2019 was £3.6bn, a 16% increase from the £3,1bn spend in 2018 and the highest UK production spend figure ever reported.[42]

- 188 films began principal photography in the UK in 2019 with a total UK production spend of £2bn – 6% higher than for 2018.[43]

- Inward investment in film and HETV production (including co-production) exceeded £3bn in 2019.[44]

- In 2016, the UK Games Industry directly employed 20,430 FTEs and contributed £1.52bn in GVA to UK economy. Including indirect and spillover economic impacts, this rises to 47,620 FTEs and £2.87bn in GVA.[45]

- In 2015-17, there was least £1.75bn of overseas investment into UK games companies. In 2016, £1.25bn was spent on game development in the UK.[46]

- As of December 2019, there are 2,285 active games companies in the UK, operating at all sizes and scales, with world-class talent across the full spectrum of games technologies - from mobile, PC and console, to fast-developing sectors such as VR / AR, esports and Artificial Intelligence. These companies include the creator of Grand Theft Auto V, the best-selling entertainment product of all time, selling 115 million units worldwide and generating over $6 billion in global revenue[47].

- There is a strong export component for emerging talent in digital media: for UK YouTube creators, 85% of viewership comes from outside of their home country[48].

The screen sectors also deliver public value in addition to their economic contribution. By creating stories serving and reflecting the diversity of the UK and the uniqueness of the UK experience, made specifically for UK audiences, they provide socially cohesive and inclusive experiences which are widely shared and help to foster and strengthen common bonds. The values of impartiality, accuracy and trust represented by the main UK news broadcasters are more important than ever and are likely to remain so in the years ahead. UK screen sector exports are also a key driver of soft power abroad – as a House of Lords report on soft power notes:

> *"The UK's creative industries boost the UK's profile everywhere, especially among the global middle class with its discretionary spending power, appetite for media and cultural content, and increasing social influence."* [49]

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[42] Source: Film, high-end television and animation programmes production in the UK: full-year 2019, BFI
[43] Ibid
[44] Ibid
[45] Source: Screen Business: how screen sector tax reliefs power economic growth across the UK – Olsberg.SPI & Nordicity for the BFI
[46] Ibid
[47] Source: Data provided by Ukie
[48] Source: Data provided by Google
[49] Source: "Persuasion and Power in the Modern World", House of Lords Select Committee on Soft Power and the UK's Influence", March 2014

The ability of the UK's screen sectors to deliver economic and cultural value has been significantly enhanced by enlightened government policies which have created and enabled a vibrant sector with a complex ecology which includes an unusually rich mixture of public and private companies, a successful independent production sector and large-scale investment by global media companies. The ecosystem has developed very significantly over recent decades, for example in the television sector through the expanded range of commercial broadcasters facilitated by a range of technological developments and regulatory adjustments. More recently the rise of new video on demand services has contributed to a UK production boom in high-end TV content. Prospects for export led growth are strong, for example the annual growth rate of the UK-based film, TV and TV-related industries is predicted to rise to between 5% and 8% per annum by 2025, largely driven by international revenues[50].

Taken together, public policy interventions such as public service broadcasting provisions, quotas to support independent production companies and production in the nations and regions, and fiscal incentives have been highly effective in supporting the sector to deliver both economic and social value for the UK. The inter-relationships between the various interventions are complex and the ecosystem therefore needs to be considered as a whole, and in careful consultation with the industry, when deciding how best to support the post-pandemic growth that the screen sectors can deliver.

E. IMPACT OF THE PANDEMIC

The pandemic has had a devastating effect on most screen sector activity:

- All film and most TV production was shut down and will not begin to ramp up again at any scale until July at the earliest. UK film production is projected to total just £538m in 2020 against a pre-Covid forecast of £1,994m, while UK High-End TV production for this year is expected to total £549m against a pre-Covid forecast of £2,188m[51]. Of the £1.1bn of film and High-End TV production spend forecast for Q1 2020 in the UK, only £39m was completed before lockdown measures commenced[52]. Even once production resumes in earnest, the requirements of Covid-safe production protocols will increase costs significantly (current industry estimates suggest production costs will increase by an average of 20%, with costs for some productions rising by as much as 29%[53]). Travel bans and quarantine restrictions are likely to continue to affect production activity for some time although we welcome the Government announcement on 5th July 2020 that international film and high-end television stars, directors and producers, will be exempt from quarantine (where they are essential to the event or production) and look forward to seeing further details of the exemption criteria. In doing so, we note that New Zealand has lifted quarantine exemptions for workers deemed to have a 'significant wider benefit to the regional or national economy'[54], and this has led to film production restarting (including on the film Avatar 2). We remain committed to ensuring that any such exemption is operated in a manner which does not pose a risk to health.

- Independent UK film is expected to be hit particularly hard. Vital for the development of the talent that serves inward investment films and High End TV, as demonstrated by

[50] Source: "The contribution of the UK-based film, TV and TV-related industries to the UK economy, and growth prospects to 2025", Oliver & Ohlbaum , October 2018
[51] Source: Saffery Champness / Nordicity
[52] Source: Data from BFI
[53] Source: Estimates provided by BFI
[54] Source: https://www.immigration.govt.nz/about-us/covid-19/covid-19-information-for-employers

our own research[55], and culturally important in itself, this essential part of the complex screen sector ecosystem was already suffering from a marked reduction in revenues from international pre-sales[56], for example from DVD distributors, which has not yet been offset by new and growing revenues from video-on-demand or by the emergence of new buyers in the form of streaming platforms such as Netflix.

- Although audiences rose during the early weeks of lockdown, TV advertising revenues are estimated to have experienced their largest quarterly fall ever, far worse than the recession of the early 1990s, the burst of the dotcom bubble in 2001 or the financial crisis of 2008. Channel 4 estimated that TV ad revenues would be down 50% in April and May 2020.[57]

- The shutdown of live sport was a key driver of lost broadcast and advertising revenue.

- All cinemas were subject to mandatory closure from 20th March to 4th July (and the vast majority will open significantly later than that), losing an estimated £5.7m per day through a combination of eliminated revenues such as box office and screen advertising revenue[58]. 95% of the cinema workforce was furloughed and in some smaller independent cinemas this rose to 100% of staff. Cinemas will begin to re-open in July with only limited capacity for the foreseeable future and independent cinemas are unlikely to reopen before September. Under the current guidelines, industry estimates forecast that cinema revenues will fall by 60% while costs will rise by 30%. We therefore welcome the temporary cut in VAT on cinema tickets announced on 8th July 2020 and the fact that the cultural support package announced by Government on 5th July 2020 will include support for independent cinemas (enabling them to re-open and start contributing to cultural, social and economic recovery) and we look forward to seeing further details of the scheme.

- Although DVD/Blu-ray sales are a declining source of revenue and could still be purchased online, the shutdown of non-essential retail outlets also closed off what is still an important revenue stream for the screen sectors as physical DVD/Blu-ray sales in the UK totalled over £500m in 2019[59]. Similarly for video games, for which sales of physical disks totalled over £600m in 2019[60].

- Visual effects (VFX) and post-production – which takes place after filming is complete – is experiencing a lagged effect, but will experience a severe contraction in demand for many months after production resumes given the halt of production during lockdown.

By contrast, the video game sector has been buoyant during lockdown and major subscription video on demand services (VOD) have continued to grow. Despite these areas of success, the overall impact of the pandemic on the Creative Industries as a whole, and on the screen sectors from which our Members are drawn, has been severely negative on a scale previously

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55 Source: 'Local Heroes and Inbetweeners: The Contribution of the Independent British Feature Film Sector to the UK Audiovisual Production Industry', British Screen Forum, October 2019
56 Source: 'The State of the UK Independent Film Sector', Olsberg.SPI, April 2017
57 Source: Channel 4 press release, April 2020
58 Source: UKCA
59 Source: 2020 Yearbook Statistics, ERA
60 Ibid

inconceivable. An Oxford Economics analysis[61], based on a survey of 2,000 Creative Industries companies conducted during the lockdown, suggests:

- The Creative Industries are projecting a combined £74bn turnover loss over the course of 2020 compared to 2019 (down 30%) unless additional action is taken. This is expected to translate into a GVA shortfall of £29bn in 2020 compared to 2019 (down 25%). For Film, TV, Radio and Photography, the fall is expected to be particularly steep, with turnover for 2020 down 57% compared with 2019. Similarly, for VFX and Post-Production, turnover is projected to be down 58% in 2020.

- The greatest drop is expected to be experienced in Q2, but current projections suggest only very modest improvements over Q3 and Q4 across the Creative Industries.

- The losses will be particularly severe for some in the sector, with 38% of businesses predicting an annual income fall of over 75% in 2020 and 73% predicting a fall in annual turnover of more than 50%. Among the self employed in the Creative Industries, 42% expect a loss of income of 75% or more and 78% expect a loss of 50% or more.

- Relative to the current size of the Creative Industries in the area, Scotland and North East England are expected to be the hardest hit.

- The impact on jobs started immediately. As of the end of March, 13% of respondents had made some employees redundant. However, the greatest impact to date has been felt by freelance workers with more than one in three reporting having had all their freelance contracts terminated by the end of March. 46% had experienced half of their freelance contracts being terminated by that date.

- The impact on jobs is expected to accelerate, especially as the Job Retention Scheme tapers and ends. In 2020, the Creative Industries project a 119,000 drop in employment among employees and 287,000 job losses among the self-employed, compared to 2019 employment levels. This is a total of 406,000 jobs lost.

- Relative to the size of its Creative Industries, the West Midlands is expected to be the hardest hit in employment terms, with a projected 43% drop in creative jobs in 2020.

Those projections, developed during the early weeks of lockdown, were based on a 'do nothing' scenario. Actions taken by Government and by industry are expected to mitigate the impacts to some extent, but the negative impact is still likely to be unprecedented in its scale.

British Screen Forum expects ongoing pressure on commissioning budgets, especially as total UK advertising spend is expected to drop by up to £4.2bn in 2020. We note that Channel 4 have reduced their commissioning budget by £150m, and ITV by over £100m as part of their plan to navigate through the crisis. The BBC's commercial revenues have also been hit by an expected £125m.

As noted above, film production costs are expected to rise by an average of 18% as a direct result of the pandemic, due to the need to operate in accordance with Covid-secure guidelines.

[61] Source: The Projected Economic Impact of Covid-19 On The UK Creative Industries, Oxford Economics, June 2020

The independent production sector has also been hit by the inability to secure production insurance which covers pandemic-related risk. Without such cover, companies cannot secure the finance necessary to cashflow productions which are normally commissioned on a payment-on-completion or deficit finance basis. It is difficult to see how many independent productions will be able to proceed while this issue remains unresolved. We note that the Screen Sector Task Force has made the case for intervention to DCMS and HMT directly.

The screen sectors, by their nature, operate to a significant extent on a project basis (film by film, programme by programme, game by game, etc). To enable this, many screen sector jobs are freelance. The Film and TV Charity estimate that more than half of those employed in Film and TV are freelance, defined as operating as a sole trader, operating as a one-person limited company or working on consecutive, short and fixed-term contracts on PAYE.[62] Though the skills and salaries involved set this apart from the 'gig economy' world of minimum wage, zero-hours jobs in, for example, hospitality, the freelance screen sector workforce has been disproportionately affected. It is estimated that 74% of Film and TV freelancers do not expect to be eligible for either of the Government's principal coronavirus support schemes for workers – the Job Retention Scheme ('JRS') and Self-Employment Income Support Scheme ('SEISS').[63] Quite apart from the severe financial hardship involved, there is a real risk that highly skilled screen sector workers will leave the industry as a result, with highly damaging long term consequences. In research published on 7th July[64], BECTU found that film and TV workers expect to earn only 42% of their salary in 2020 on average with many earning much less, especially the lowest paid. Analysis by the BFI suggest that a total of 21,796 film and TV workers who operate on freelance PAYE contracts are ineligible for the government SEISS support payment[65].

F. INDUSTRY RESPONSE

In response to the pandemic, the screen sectors adopted – through the BFI Screen Sector Task Force – a co-ordinated and unified approach across the value chain and inclusive of international partners, with constructive engagement with government at every step. The screen sectors demonstrated a pro-active approach, seeking to develop an industry led approach aimed at ensuring that the sectors could get back to delivering strong economic growth once conditions allowed.

In the earliest weeks of lockdown, industry-led emergency action was taken to mitigate the hardship being faced by many freelancers in the sector who would not benefit from government support schemes. The Film and TV COVID-19 Emergency Relief Fund, launched by the Film and TV Charity in partnership with the BFI, provided one-off grants from £500 to £2,500 to those in film, TV and cinema facing financial difficulty because of the Covid-19 crisis. It was funded by donations from Netflix, the BFI (with funds from the National Lottery), BBC Content, BBC Studios, WarnerMedia, Sky and a number of generous individuals.

In the nations, during these first weeks, Screen Scotland launched a £1.5million Screen Bridging Bursary programme to provide one-off bursaries of £500 to £2,500 to freelance PAYE

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[62] Source: Film and TV Charity submission to DCMS Select Committee, June 2020
[63] Ibid
[64] See: 'Film and TV workers predict slow return to normal working'
[65] Source: Data from BFI

and self-employed screen sector workers experiencing immediate financial difficulty due to loss of income as a result of the Covid-19.

Independent screen sector companies were given emergency support by the BFI and by national screen agencies, with the aim of ensuring the best possible recovery post-lockdown. This support included, in the first month of lockdown:

- The BFI COVID-19 Film Continuation Fund - a £2m fund offering up to £150,000 for independent productions unavoidably interrupted as a direct result of the COVID-19 pandemic, putting them in critical financial need. To help cover these unexpected additional costs, the Fund aimed to ensure producers were in a position to restart when safe and practical to do so.

- The BFI FAN COVID-19 Resilience Fund – independent exhibitors and festivals faced immediate closure and cancellations, with many small and medium sized business at risk of permanent closure and making staff redundant. To alleviate some pressure, the BFI opened the £1.3m BFI FAN COVID-19 Resilience Fund. Repurposing the BFI Film Audience Network's National Lottery activity funding, the Fund provided critical relief and business continuity to exhibitors across the whole of the UK.

- The Screen Scotland Single Project Development Funding Routes - independent film and TV production companies were able to apply for newly ring-fenced development support of between £3,000-£50,000 to develop creative and ambitious projects over the next 3-6 months to enable planning towards production when Government guidance allowed. Two new funding routes – one for TV and another for film projects – provided a total of £1million funding with the aim of providing a fresh focus for development activity and help producers and production companies focus their energies and plans for future production.

- The Creative Wales Emergency TV Development Fund – provided up to £25,000 for TV production companies to utilise the time during which production cannot take place to develop projects which will put them in a stronger position to secure commissions once a normal mode of working resumes.

- The Creative Wales Emergency Digital Development Fund - provided immediate financial support of up to £25,000 for games, animation, digital agencies and creative digital businesses to help retain IP and develop new services

Contemporaneous with this immediate emergency response, the screen sectors also started planning a route back to recovery, working across four main areas: inward investment, broadcasting and production, independent film, and film distribution and exhibition. In each area barriers to restart were identified and strategies to overcome them developed at pace and in consultation with all relevant stakeholders within and without the sector, including government (including in the devolved nations) and public health bodies and experts.

As a result of this co-ordinated work:

- On 18th May, ITV, BBC, Sky, Channel 4, Channel 5, STV, ITN, the Association for Commercial Broadcasters and On-Demand Services (COBA) and Pact published industry wide guidelines[66] for producing television safely in the weeks and months ahead. A development Culture Secretary Oliver Dowden described as *"a significant step forward in getting our favourite shows back into production."*[67]

- On 1st June, the British Film Commission (BFC) published a comprehensive set of guidelines[68] - endorsed by government and complementary to the television guidelines mentioned above - to help the UK's screen production industry get back to work on Film and High End TV projects, including big budget inward investment films.

- On 1st June, The UK Screen Alliance published its separate guidance, also with government support, for visual effects (VFX) and post-production work.[69]

- On 19th June, the Film Distributors Association, addressing the shortfall in big new releases as a result of the pandemic, announced the release of 450 film titles – including titles whose release had been hit by lockdown and library titles – which would be available for exhibition when cinemas re-opened.[70]
- On 25th June, the UK Cinema Association published its government-backed guidance[71] on the safe operation of cinemas and mobile cinemas from 4 July.

This co-ordinated work by the screen sectors also identified a number of key barriers to recovery which would need to be addressed at government level if the screen sectors were to resume their role as a key contributor to economic growth:

- Insurance - independent producers need to be able to insure against pandemic related risk and this facility will not be provided by the market in the foreseeable future. As noted above, without this, companies cannot secure the finance necessary to cashflow productions which are normally commissioned on a payment-on-completion or deficit finance basis.

- Production incentives – public support for UK production needs to be internationally competitive. A number of territories with which the UK competes directly for internationally mobile production activity have significantly increased their production incentives during the pandemic and the UK risks losing future production projects as a result as net production costs rise higher in the UK than elsewhere. For example, California, France and Spain have enhanced their tax relief schemes and Austria has set up a fund which will compensate international productions with grants of up to €2.5m each if they are delayed or forced to shut down as a result of Covid-19. Such enhancements come on top of a number of others made since 2018 while UK reliefs have remained unchanged, including in Australia, Germany, Hungary, Ireland, and Massachusetts[72]. We therefore support the Screen Sector Task Force proposal for a time-limited uplift to the creative sector tax reliefs to help absorb increased production costs and keep UK industry competitive, specifically an uplift in the rate of tax relief from 25% to 32% for film, high-end TV, animation, and children's TV up to a

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[66] Source: TV Production Guidance: Managing the risk of Coronavirus (COVID-19) in production making, May 2020
[67] Source: DCMS Press Release, 18 May 2020
[68] Source: 'Working Safely During COVID-19 In Film and High-End TV Drama Production', BFC, June 2020. This guidance was updated on 10th July and the current version is available here
[69] Source: 'Covid-19 Guidance For Safe Working For The Visual Effects (VFX) And Post-Production', UK Screen Alliance, June 2020
[70] Source: 'Relaunching Cinema: Content for Recovery', FDA, June 2020
[71] Source: 'Cinemas – keeping workers and customers safe during COVID-19', UKCA, June 2020
[72] Source: Olsberg•SPI Global Incentives Index 2020, Olsberg•SPI Global Incentives Index 2019, Olsberg•SPI Global Incentives Index 2018, Olsberg•SPI Global Incentives Index 2017

certain budget level. For shows over that certain level, additional criteria would need to be met to qualify for the increased tax relief, to ensure that the intervention leads directly to increased activity in the UK, with minimal deadweight cost.

- A UK fund to replace Creative Europe to address recognised market failure in the independent film sector in particular – although the decision not to participate in the Creative Europe programme after the end of the Brexit transition period is not pandemic related and pre-dates the lockdown, the independent UK film sector will need a comparable or improved mechanism of support if it to recover and play its key role in developing the talent on which the broader screen sectors depend.

Meanwhile, the sectors worked closely with Government on keeping news broadcasting services up and running throughout the pandemic and on compliance with quarantine regulations for visiting cast and crew.

In addition, broadcasters and sports bodies worked together with Government here about coordination with Government and sports bodies on re-starting the sports calendar and related broadcasting of sports events. This response included a commitment from Sky to showing 25 Premier League football matches 'free to air' for the first time in the history of Sky Sports and the development of a number of new innovations to give football fans the very best experience of watching live sport, when going to the match is not possible, including Sky Sports Fanzone (a new app feature for video connections allowing viewers to engage with live matches), Sky Sports Recap (a new Sky Q service allowing viewers to catch up to the live action with instantaneous highlights) and Sky Sports Crowds (EA SPORTS FIFA crowd noises which enable viewers to complement what they are watching with sound, should they so wish).

G. RESPONSES TO THE KEY QUESTIONS POSED BY THE COMMITTEE

Q1. What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

Looking to the longer term, the Government should focus on sectors with:

- Strong record of recent growth
- Potential for further growth
- Established competitive advantage in international markets
- Proven ability to attract inward investment
- High skill, high productivity workforce
- Roles less vulnerable to technological replacement
- Proven potential to drive growth and prosperity across the nations and regions and across all demographics

As demonstrated in section D above, the screen sectors meet all of these criteria and even without the pandemic there is a compelling case for incentivising the UK as the pre-eminent choice of location for the international audiovisual sector, building upon the strength of facilities, skills, creative talent and IP protection.

Given the pandemic impacts and the need to recover quickly and stimulate activity across the whole economy, particular focus over the coming period should be given to sectors which both meet the above long term tests and can also:

- Inject large amounts of capital into the economy quickly
- Demonstrate a strong track record of stimulating activity beyond the sector itself

Again, these are criteria fully met by the screen sectors. International research published in June 2020[73], demonstrates that film and TV productions inject huge amounts of capital very rapidly into an economy. For example, analysis of a major film shows that an average of $10 million per week was spent during a 16-week shoot. This spend is broadly spread, with on average 67% of production costs spent in other business sectors, including construction, travel & transport, hospitality & catering, and fashion & beauty. Directly addressing the question of the potential for different sectors to kickstart an economy, the research concludes: *"Film and television projects are likely to be a faster option for kickstarting economic recovery than many other industries and sectors of the economy that are often promoted as stable. The length of Screen Production supply chains also means that any measures to support the sector will benefit the wider economy."*[74]

Q2. How can the Government borrow and/or invest to help the UK deliver on these principles?

The Government can invest to help the UK deliver on these principles by (a) identifying sectors which conform with them and (b) by investing further in initiatives known to benefit the development of those sectors.

As noted above, the screen sectors meet all the relevant criteria. Government could unlock growth potential in the screen sectors by investing further in the development of the talent that lies at the heart of the industry's strong economic growth and also in carefully targeted incentives with a proven record of stimulating growth in the sector.

Talent development

The screen sectors could deliver even stronger growth with the benefit of:

- An education system which recognises the importance of creativity and which builds closer links between education and industry. We do not challenge the importance of STEM subjects, but note that the extraordinary domestic and international success of the screens sectors is driven by creativity and that creative subjects have been deprioritised over many years with the consequence that a valuable UK resource has been underexploited. Indeed, many jobs in the screen sectors require a combination of creative and STEM skills, and that is increasingly the case. Closer links could be forged between the screen and education sectors, including the nurturing of young talent and developing courses that better meet industry sector needs. This should include promoting creativity in schools, and reformulating and expanding technical

[73] Source: 'Global Screen Production – The Impact of Film and Television Production on Economic Recovery from COVID-19', Olsberg.SPI, June 2020
[74] Ibid, page 37

education (for 16-19-year-olds) and higher education courses through closer links to industry. This will have wider benefits to society: nurturing the technical and artistic skills that the screen sectors need will also support the supply of the kinds of skills and talent that will be increasingly needed in other parts of the economy. The Government should engage with industry to make sure that people considering a career in the sector are able to access information and support on what is available and how to apply. This could build on initiatives such as the BFI Film Academy, with its excellent record of getting people into screen sector jobs, the BFI Future Film Skills Programme[75], currently being delivered by ScreenSkills, and the Creative Careers Programme which ran as a pilot in 2019/20 (funded as part of the Creative Industries Sector Deal and delivered by ScreenSkills, Creative & Cultural Skills and the Creative Industries Federation) and should be extended further for multiple years. Aims should include improving careers advice in schools, especially those in deprived areas of the country and maximising the proportion of graduates from courses aimed at training for the audiovisual sector who are able to get a job in the sector, by working with industry to develop a consistent quality framework

- An apprenticeship and skills framework which works for creative, project based activity and in which many job roles are filled by freelancers. Given the current scheme's requirement for apprentices to be employed by a single employer for a minimum of a year, the nature of production work in the screen sectors – with projects rarely lasting for 12 months and where around half the workforce is freelance – mean that for many companies in the sector, the Apprenticeship Levy is simply a payroll tax with no positive effect on training. Supported by funding from the Department for Digital, Culture, Media, and Sport, ScreenSkills is partnering with Warner Bros. and Netflix on an innovative pilot apprenticeship programme to enable more people to join the film and TV industries through an apprenticeship[76]. The pilot will test the costs and sustainability of the model and provide data to show what further reforms might be required to unlock support for training opportunities in this growth sector, including the estimated £15m a year in Apprenticeship Levy funds that the screen sectors are currently unable to use (out of the £20m it pays in)[77]. Skills policies across the UK should encourage collaboration and reciprocity across the UK nations to maximise the availability and use of employer-designed Apprenticeship Standards. High quality apprenticeships, such as the BBC's degree level broadcast engineering programme, are run in partnership with specific higher education institutes. Working with industry partners to create centres of excellence in these institutes would help unlock the benefits of economies of scale for training providers.

- Initiatives to ensure that opportunities in the screen sectors are promoted and facilitated across all demographics, including through the development of creative clusters and regional hubs to unlock talent in the nations and regions. To foster entrepreneurialism, we need to find and support the people from across the UK who will build the next generation of successful creative businesses. We believe that there is scope to build on existing creative clusters with the greatest growth potential, and targeted investment – and closer links between bodies representing the screen sectors and LEPs – could help them achieve critical mass. Such an approach would allow these regional hubs to develop their own economies of scale, and is preferable to policies

[75] Source: Future Films Skills Programme, BFI, 2017
[76] Source: Warner Bros. and Netflix join ScreenSkills in innovative apprenticeship pilot, ScreenSkills Press Release, January 2020
[77] Figures from ScreenSkills

that attempt to spread activity too thinly around the UK, which prevent the formation of scale economies and network effects. Across the UK, the optimal distribution will vary for different parts of the screen sectors. For video games and new forms of digital content, there is scope for multiple clusters to develop around the UK, e.g. linked to universities, as network effects are less reliant on geographical proximity than in more traditional sectors. The 12 video games hubs identified by Nesta include Dundee, Liverpool and Brighton. Turning to film and TV production, for which geographically-based network effects remain important, the optimal distribution is likely to involve a limited number of major centres of film and TV production, supported by a larger number of more specialist clusters (for example, animation and natural history in Bristol, factual and entertainment in Glasgow). Given the growth potential in the sector, we believe this would further strengthen the UK's position as a global production hub, including infrastructure already developed in London and the South East, while growing activity in the nations and regions in a targeted manner (as with the development of Media City in Manchester or the new Channel 4 national HQ in Leeds), unlocking the potential lying dormant in many communities.

Targeted incentives

- The Creative Tax Reliefs incentivise the UK production of film, High End TV, video games, animation and children's programmes. Their success in doing so is both significant and very well evidenced, with returns on investment for each £1 of tax relief of £7.69 (film), £6.10 (High-End TV), £4.44 (animation), £4.00 (video games) and £2.73 (children's content)[78]. Given the internationally mobile nature of much screen sector production activity, it is vital that these incentives remain internationally competitive. As noted above, a number of territories with which the UK competes directly for internationally mobile production activity have significantly increased their production incentives during the pandemic and the UK should enhance the Creative Tax Credits to maintain its international competitiveness. As noted above, we therefore support the Screen Sector Task Force proposal for a time-limited uplift to the creative sector tax reliefs to help absorb increased production costs and keep UK industry competitive, specifically an uplift in the rate of tax relief from 25% to 32% for film, high-end TV, animation, and children's TV up to a certain budget level. For shows over that certain level, additional criteria would need to be met to qualify for the increased tax relief, to ensure that the intervention leads directly to increased activity in the UK, with minimal deadweight cost.

Similarly, the Media Programme of Creative Europe has a proven track record in supporting the independent UK film sector which is so important to the talent development that underpins the strong growth in inward investment film and High End TV production. As the UK's participation in that programme comes to an end, it is important that an effective UK replacement fund to address well known market failures is established quickly, funded appropriately and suitably aligned to the particular needs of the sector.

Q3. What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

[78] Figures for 2016 (latest year available). Source: Screen Business: how screen sector tax reliefs power economic growth across the UK – Olsberg.SPI & Nordicity for the BFI

Cinema exhibition aside, the route to consumers for most screen sector companies is via electronic means and is therefore not affected by consumer anxiety around congregating in numbers. The cinema exhibitors also have comprehensive, government-approved set of guidelines for operating a Covid-safe environment. Trusted and consistent government messaging about risks and mitigations will be important to help build confidence about returning to enjoy the big screen experience and should complement the sector's own 'back to the cinema' campaign. Over the longer term, progress back towards full cinema capacity will be necessary for economic sustainability and will be dependent on issues beyond the control of industry, such as the further suppression of Covid-19 and/or the development of a vaccine. Given the pressure on independent cinemas, their inclusion in the Government cultural support package announced on 5th July 2020 is particularly welcome and we look forward to seeing further details of how the scheme will operate. We also welcome the temporary cut in VAT on cinema tickets announced on 8th July 2020 which may help to stimulate demand.

Rebuilding consumer confidence more generally is also vital to help rebuild the advertising revenues on which many screen sector businesses ultimately depend and which have suffered their worst ever decline during lockdown, although it should be noted that premium subscription video-on-demand services and video games have been among the areas of economic activity to have grown revenues during this period.

Although the pandemic has choked off production and some routes to consumers (e.g. cinemas) and has severely depressed ad revenues, there is strong (in some cases, latent) demand for UK screen sector content and services, not just in the UK but around the world. To kick start the sustainable growth the sectors can deliver the short term imperative is unblocking the production pipeline (especially in relation to the insurance issue), reopening cinemas and sports events in a safe manner, and addressing the cost and revenue issues driven by measures to deal with the pandemic. Drags on sector confidence and brakes on restarting production need urgently to be dealt with. In particular:

- Immediate and long term solutions are required for the issue of production insurance given the fact that the insurance market will not cover Covid related risks. Without this, many productions cannot start in the UK and both finance and production activity are flowing elsewhere.

- Support for increased production costs while social distancing requirements are in place, and while advertising revenues are depressed.

- Film/TV production workers should be exempt from UK quarantine requirements and we welcome the recent Government announcement on this issue[79].

- An appropriate UK fund to replace participation in Creative Europe is required to combat well known areas of market failure and support exports.

With or without the pandemic, the screen sectors need five overarching factors to be in place in order to deliver sustainable growth: access to the right talent, access to markets, access to finance, the ability to create across borders, and a supportive copyright and enforcement regime.

[79] See: 'Press release: Selected sporting events, TV and film exempt from quarantine,' published 5 July 2020

Access to the right talent

To make world-class content and sell it globally, we need creative, technical and business skills; cultural capital and understanding; and the ability to put together the right creative team for the project in hand. In addition to the education and skills framework described in the response to Q2 above, this means a pragmatic migration and visa regime that properly recognises, and responds to, the distinctive characteristics of the Screen Sectors, e.g. short-term projects, non-UK talent. There will always be some need to bring in talent from overseas (e.g. foreign stars that fit the creative proposition, and people with local/cultural knowledge of other countries for both creative and corporate roles like legal and business development) as well as when there are domestic skills gaps in certain areas, including in new and emerging technologies such as virtual reality (VR), augmented reality (AR) and artificial intelligence (AI), or emergency needs (i.e. unanticipated urgent needs to cover cast or crew from overseas in the case of illness or injury). Significant gaps in these areas have been recognised by the Migration Advisory Committee. We need a pragmatic approach to migration to allow people from overseas to work in the screen sectors and which minimises the bureaucracy involved (in terms of cost, time, paperwork and approvals needed), especially for short-term project-based work and areas of identified skills shortages.

Access to markets

The screen sectors need the fullest possible access to foreign markets for our creative content and services. As evidenced in Section D above, past evidence demonstrates that the UK screen sectors thrive through access to foreign markets.

The screen sectors are a global export success story, with two thirds of TV exports, for example, going to countries outside Europe and with strong export growth in developing markets such as Latin America and Middle East & North Africa. Mature and established markets will continue to be important and Europe will remain a key market for screen sector exports (for UK TV exports alone it represents 34% of the total[80]). Given that the Audiovisual Media Services Directive requires that EU Members States ensure that 'European Works' make up a majority of transmission time for linear (broadcast TV) services and 30% of the catalogue of video-on-demand services, it is vital that UK works retain the 'European Works' status currently conferred by the UK being a party to the European Convention on Transfrontier Television of the Council of Europe. There is no threat to this position at present, as the UK government has committed to remaining a party to the Convention, but government should regard the maintenance of this position as a highly important long term objective.

In common with other business types, the sustainable growth of screen sector companies would benefit from the UK securing a comprehensive non-discrimination agreement with the EU to ensure that UK-owned companies operating in EU Member States are not subject to less favourable treatment. At present, UK-owned companies established in EU Member States enjoy a general right not to be discriminated against on grounds of nationality. A Member State cannot currently treat two companies differently on the basis that one is UK-owned and

[80] Source: UK TV Exports Report 2018-19, Pact

the other is Member State-owned. Without a non-discrimination agreement, less favourable treatment of UK owned companies would potentially become possible once the Brexit transition period comes to an end since the principle of equal treatment would no longer apply. While this is a general threat in relation to UK businesses with companies on the continent, it is particularly important in the cultural and media sphere where particular rules can apply.

Similarly, a wide range of UK companies – including screen sector businesses – would benefit from the UK securing a data adequacy agreement with the EU, to allow frictionless cross-border data transfers to continue, and harmonisation of rules on data protection. A data adequacy agreement would particularly benefit SME's which are generally less well equipped to manage data issues through contractual arrangements. As an industry that exports globally, we inevitably process data from around the world and interactive entertainment and digital content companies fundamentally rely on the ability to move data across borders. For games, for example, data flows between players, games companies and gaming platforms are intrinsic to the operation of games and the provision of immersive gameplay experiences for players. For the audiovisual sector more generally, continuing digitisation renders data increasingly important as businesses seize the opportunity of using data to better understand and engage with audiences, pilot products, and increase the efficiency of production processes. Harmonised rules on data protection would help games and other audiovisual companies based in the UK to seamlessly export digital goods and services throughout the EU.

The Government should continue to seek to further grow the presence of the UK screen sectors in non-EU markets around the world, not least through an evidence-based international trade and export support policy that works with the sector to identify key target countries, any genuine barriers and creative ways to support UK business. The needs of key growth sectors which can provide high productivity jobs of the future – such as the screen sectors – should be prioritised in all trade negotiations and the ability to use public policy – including media regulation, fiscal incentives and a strong IP framework – to underpin the sector's strength and potential to grow should not be traded away. The UK's ability to attract inward investment in the screen sectors should not be undermined.

Aside from trade negotiations, there a number of ways in which the Department for International Trade could support the screen sectors. These include undertaking research into key non-EU countries identified by industry (i.e. those with big potential or growing audiovisual markets) to provide market intelligence, identify any genuine barriers, as well as agreeing co-production treaties covering cinema and TV when there is a clear mutuality of interests between the two countries. Certain other types of horizontal agreements also have the potential to benefit a wide range of industries – including the screen sectors – with potential for long term sustainable growth, notably on data protection and data flows, IP enforcement and rules on the movement of capital (e.g. for production or setting up a local joint venture).

Access to finance

All sectors need access to finance in order to support growth, but the screen sectors need access to finance which recognises the particular economics of the sector and the benefits our current and future major competitors derive from the scale of their domestic markets Different parts of the screen sectors have very different business and financing models. Some newer digital content sectors, such as mobile games, have relatively low barriers to entry:

there are fewer infrastructure barriers or regulatory restrictions than for other parts of the audiovisual sector. Conversely, they do not attract the same range of public support measures as other kinds of audiovisual content (the main one being the games tax relief). Other parts of the screen sectors, such as high-end TV and film, face particular challenges in competing globally, due to the unique economics of content creation and distribution, and in particular the nature of the risks and cost structures relating to high-end content. This is predominantly a high-risk, hit-based sector with extremely high fixed production costs, products with a short life cycle in the primary window[81] (necessitating substantial marketing expenditure), and very low marginal costs of production and distribution. Secondary revenue streams from international and ancillary markets – the rights to which often need to be sold in advance in order to finance production – are also important, especially for independent or specialist content.

The risk profile calls for a portfolio approach for content creation businesses, and the high capital costs give advantages to large companies able to access capital. Firms that benefit from large, homogenous domestic markets (especially the USA, but also, increasingly, China and India) therefore have a very significant advantage in the global marketplace in which the UK is competing. Of course, we recognise that it is also the case that some audiovisual enterprises and projects seeking finance are simply not ready for investment, and we would highlight the need for creative talent to be allied to business skills. It is in this context that the UK has developed a range of financial incentives, funding support models and other public policy interventions aimed at enabling the UK screen sectors to compete successfully in the global marketplace and deliver such strong growth over the past decade (year-on-year growth for the Creative Industries in 2017-18 was over five times the rate of the wider economy[82]). Maintaining and – where appropriate – enhancing these mechanisms will help drive future growth in the sector.
The UK screen sectors benefit hugely from the integral role played by global media companies operating here, especially the US majors. Overseas media companies invest in the UK's film, TV, video games and digital media sectors in order to benefit from the high quality of our skills and infrastructure, and their investment takes the form of both project financing and capital investment in facilities such as Pinewood Studios, Shepperton Studios, Warner Bros. Studios Leavesden, the Titanic Studios in Belfast and Wardpark Studios in Glasgow. This inward investment is a vital part of the functioning of the sector, helping to create the scale that enables us to sustain the skills and capital base to support content across a wide range of budgets, attracting further investment from companies in the UK and around the world. Future policy to support growth needs to ensure that the total amount of all forms of inward investment (FDI and other forms of inward investment) is healthy and growing.

Adjustments should also be made to financing and support schemes operating in the UK to optimise their benefits to sectors able to deliver sustainable growth. Such adjustments should include:

- An uplift in the Creative Tax Reliefs for film, High End TV, video games, animation and children's programmes. This is necessary to maintain the UK's competitiveness in light of the enhancements introduced in response to the pandemic in territories with which the UK competes for screen sector production activity. The tax credits are a proven success story which have delivered returns on investment for each £1 of tax relief of £7.69 (film), £6.10 (high-end TV), £4.44 (animation), £4.00 (video games) and £2.73 (children's content)[83]. We therefore support the Screen Sector Task Force proposal for

[81] For example, the 'primary window' for a film is usually the period during which it can only be shown in cinemas.
[82] Source: [DCMS Sectors Economic Estimates GVA 2018]

a time-limited uplift to the creative sector tax reliefs to help absorb increased production costs and keep UK industry competitive, specifically an uplift in the rate of tax relief from 25% to 32% for film, high-end TV, animation, and children's TV up to a certain budget level. For shows over that certain level, additional criteria would need to be met to qualify for the increased tax relief, to ensure that the intervention leads directly to increased activity in the UK, with minimal deadweight cost.

- A review of definitions and eligibility criteria for certain existing financing schemes operating in the UK. Incentivising financial arrangements that are designed for the whole economy often do not work effectively in the screen sectors due to specific structural features of the industry, such as project-based work and the ways in which IP is exploited. Amending the definitions and eligibility criteria would enable these schemes to work more effectively as intended for this sector. Suggested amendments include:

    - adjusting the eligibility criteria for EIS and SEIS to allow co-productions and distribution businesses; raising the EIS £5 million cap to £10 million and the SEIS £150,000 cap to £500,000; and greater recognition that screen sector businesses are likely to have growth and development paths that are different from many other business types.

    - reviewing the criteria for the R&D tax credit to support investment in the screen sectors

- Additional funding to enhance the Government's understanding of the screen sectors. Funding for additional resources in key public bodies would enhance their expertise in, and understanding of, the distinctive characteristics of the screen sectors. For UK Export Finance, this would enable it to promote its export credit support to the sector, whilst additional resources in HMRC would allow it to develop a more sophisticated understanding of the complex ways in which IP is exploited.

- A policy framework that facilitates investment in studios and infrastructure. Alongside our high-quality workforce, it is important to ensure the UK's studios remain world-class and competitive. This means continuing strategic support from UK Government and agencies across the UK to attract inward investment at both the project level (to build the scale of activity that underpins the talent and infrastructure base) and longer-term capital investments in infrastructure itself. The planning system should adequately recognise the significance of screen sector infrastructure (such as studios) – as per the Cameron Government's response to the House of Commons Culture, Media and Sport Select Committee recommendation in the 'Supporting the creative economy' report[84]. Other ways of providing a more favourable environment include facilitating closer links between bodies representing the screen sectors and LEPs to feed into their Local Industrial Strategies, as happens with the best LEPs at present.

In addition, it is important that the support previously provided to UK independent film by the EU Creative Europe programme, is replaced by an effective UK scheme that is established

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[83] Source: [Screen Business: how screen sector tax reliefs power economic growth across the UK – Olsberg.SPI & Nordicity for the BFI]

[84] See: 'Supporting the creative economy: Government Response to the Committee's Third Report of Session 2013-14 – Culture, Media and Sport Committee' (20 January 2014), at: https://publications.parliament.uk/pa/cm201314/cmselect/cmcumeds/945/94504.htm

quickly, funded appropriately and suitably aligned to the particular needs of the sector. Without this, the development of the talent needed to support the broader screen sectors will be severely hit with long term negative consequences for the sector as a whole.

The ability to create across borders

The screen sectors need cross-border models of cooperation that reflect how creative content is produced as individual productions will often involve multiple nationalities filming in one or more territories.

The model that underpins international co-productions (e.g. for films and TV) is integrated in a way that is fundamentally different from that in other sectors. For example, in the automobile industry, while individual car parts may be made in different countries in a global supply chain, people working in each part of the supply chain will typically work independently, with little or no contact with those in other parts. By contrast, the creative teams making international co-productions are usually involved across most elements of production in all countries in which the project is based. Thus, in multi-location productions, such as James Bond films or TV series such as The Night Manager, the director, stars and often much of the crew will typically be present in all locations (notwithstanding the use of local crews and separate teams for certain production elements, such as visual effects). Another example is that TV events, such as the MTV Europe Music Awards, are hosted each year by a different country, and the production team needs to be able to operate in whichever country is hosting them. In both cases, the international nature of the production process is an integral part of the creative product in a way that is fundamentally different from other products (the country where a car tyre is made does not materially impact the character of the final product).

Our understanding is that under current plans, once the transition period ends, EU cast and crew moving to the UK for temporary work (such as to join a film or HETV production) must adhere to the Tier 5 (creative and sporting) visa system currently in place for non-EEA nationals. This requires a job offer from a recognised sponsor. However, if the UK treats EEA citizens as 'non-visa nationals' as expected, they will be able to travel to the UK to work for up to three months without a visa if other documentation is provided. The UK also currently allows those coming to the UK to shoot on location for an overseas production to enter without a visa for limited periods of time.

Provisions around visa-free short-term movement both in and out of the UK for work form a part of the current negotiations between the UK and the EU. The UK has expressed an expectation that it will treat EU citizens as 'non-visa nationals', allowing them to visit the UK for up to six months for some activities (such as general business meetings), as well as to work on productions for up to three months. This is likely to require a reciprocal offer from the EU. A reciprocal agreement with the EU that allows visa-free short-term movement would help to stimulate the sustainable growth that the screen sectors can deliver.

Similar cross-border models of cooperation outside the EU should be explored for projects involving other countries. As the screen sectors seek to grow further, relationships with non-EU countries will become more important. We should explore initiatives (including co-production treaties) that facilitate cross-border models of cooperation between the UK and other countries, as deeper relationships with other countries will foster new kinds of creativity, and will also encourage investment in, and exports of, UK content.

A supportive copyright and enforcement regime

The current intellectual property rights (IPR) regime underpins the success of the screen sectors. The ability to choose where, when and how the rights arising from copyright in audiovisual content are exercised is crucial to ensure there can continue to be the same levels of investment in the creation and distribution of the content that consumers enjoy. Stakeholders in the sector do, however, explore imaginative ways of delivering content to consumers. The UK should rightly be recognised as being at the forefront of IPR protection and must remain so because this gives its creative industries and the UK economy a competitive advantage over countries where this is not the case. Seeking enhanced IPR protection elsewhere should, however, form part of future trade deals. Although a range of IPRs can be relevant sometimes, copyright is the most important IPR for the audiovisual sector. In this respect the current copyright framework is generally working well, but there are limited areas where helpful improvements to how it works could be made to enable better enforcement of rights.

Maintenance of current copyright provisions is essential with no weakening either as a result of trade negotiations or otherwise. Action to fill gaps in criminal sanctions applying to illicit streaming of audiovisual content, including to improve deterrence, is crucial, while also urgently exploring other critical enforcement issues.

Q4. Whether the government should give a higher priority to environmental goals in future support?

The screen sectors are committed to supporting progress towards environmental goals and have developed a number of industry-led initiatives, including the Film London and Greenshoot 'Green Screen' project, the BAFTA-led Albert scheme which certifies film and TV productions which meet sustainability targets, the Responsible Media Forum, Sky's commitment to go completely single-use plastic free by 2020[85] and its #GoZero strategy to achieve net zero carbon emissions by 2030[86], and the BBC's 'Greener Broadcasting' strategy which sets out the corporation's science based carbon reduction target next to a pledge to "provide content to educate and inspire positive change"[87].

The Albert project also provides inspiration and practical guidance to creatives on embedding environmental messaging into programming, acknowledging the impact the screen sectors can make through the content they put on screen. An example of this is the BBC's Blue Planet II: Our Blue Planet (final episode) which aired to an audience of 11.9m. 62% of viewers agreed that they intend to change day-to-day behaviour to reduce their impact on the oceans, and 79% felt inspired by the programme. Online searches about plastic recycling surged by 55% and charities such as the Marine Conservation Society and World Wildlife Fund saw increases in traffic to their websites of 35% - 169%[88].

Government should work with the screen sectors to explore how industry initiatives can be supported and developed further to support environmental goals. This is particularly

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[85] See: 'Sky to remove all single-use plastics by 2020,' 17 October 2017
[86] See: https://www.skygroup.sky/sky-zero
[87] See: Greener Broadcasting, BBC, 2018
[88] Source: The Superpower of Media – Mirrors of Movers II, Responsible Media Forum, 2020, at https://responsiblemediaforum.org/forum

important given the likelihood that the EU will make funds available with Members States to support industry transition to a new sustainable environment. UK screen sector companies should not be put at a competitive disadvantage.

We would also note that although the screen sectors are committed to playing their part in achieving environmental goals, their environmental impact is dwarfed by those of other sectors. Analysis undertaken for the 2020 Responsible Media Forum report 'Superpower of Media' shows that although TMT (technology, media, telecoms - which includes the screen sectors) is significantly larger in terms of revenues and number of employees, its environmental impacts are dwarfed by those of the extractive sector. For every litre of water used by a media company, their extractive peer would use 50 litres; for every tonne of greenhouse gas (GHG) emitted by a TMT company, an extractive company would emit 21 tonnes[89]. Given the asset-heavy nature of technology and telecoms companies, it is likely that the distinction would be even greater if made with media (or screen sector) companies alone.

Given the commitment of the sector to achieving environmental goals and its lower impact compared with sectors of comparable size, prioritising support for the screen sectors would be consistent with giving higher priority to environmental goals.

Q5. Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?

British Screen Forum supports the prioritisation of certain sectors, specifically those sectors which – like the screen sectors - meet the criteria set out in response to Q1, namely:

- Strong record of recent growth
- Potential for further growth
- Established competitive advantage in international markets
- Proven ability to attract inward investment
- High skill, high productivity workforce
- Roles less vulnerable to technological replacement
- Proven potential to drive growth and prosperity across the nations and regions and across all demographics

Prioritising such sectors will drive greater, more sustainable growth and deliver more high value jobs than spreading public support more thinly across the whole economy.
As noted in Section D, above, the screen sectors represent a global economic success story for the UK and should be prioritised in any growth strategy. Together with other parts of the Creative Industries, they account for 5.8%[90] of the UK economy, contributing £117.4 billion Gross Value Added[91], and grew at over five times the rate of the wider economy between 2017 and 2018[92]. Much of this growth is export led, with exports growing to £35.6bn in 2018[93], more than doubling in value since 2010 and growing at twice the rate of services across the economy as a whole over that period.[94]

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[89] Ibid
[90] 2018 figures. Source: DCMS Sectors Economic Estimates GVA 2018
[91] Ibid
[92] Ibid. Creative Industries GVA grew at 7.4%, the economy as whole by 1.4%
[93] Source: DCMS Sectors Economic Estimates 2018 Trade In Services , page 7
[94] Creative Industries exports were worth £14.7bn in 2010 and had grown by 142% by 2018. Over the same period

64% of employees in the Creative Industries are educated to degree level (or equivalent) compared with 36% across the economy as a whole. When those with higher education qualifications are included, the figure rises to 72% compared with 45% across the economy as a whole[95]. These high skills levels are, unsurprisingly, reflected in significantly higher than average rates of productivity and given the creative nature of the work, these high productivity jobs in the screen sectors are considered to be less vulnerable to technological change than in many other industries.

We recognise the need to ensure that the benefits of growth are shared across the nations and regions and across demographics. As noted in Section D, the jobs and prosperity created by the screen sectors are increasingly spread across the nations and regions: between 2015 and 2018 Creative Industries jobs grew faster than the UK average of 3.5% in Scotland, Wales and Northern Ireland, and in 6 of the 9 regions of England. The strongest jobs growth was in the North East with an increase of 21.1%. The North West, Northern Ireland and London also saw double digit increases in Creative Industries jobs[96]. The number of jobs provided for BAME people has also increased dramatically in recent years, rising 34.6% from 2015-18[97].

There is significant work to be done to ensure that BAME people, women, and other demographics protected under equality legislation (eg those with a disability or LGBTQ+ people), and people from less advantaged backgrounds are more fairly represented, especially at more senior levels, and the screen sectors are committed to achieving this. Any new public policy initiatives should be developed in close consultation with the sector to avoid unintended negative effects, including in relation to the many SMEs which make up the sector.

Q6. How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?

As we noted in response to Q2, the UK needs an education system which recognises the importance of creativity. We do not challenge the importance of STEM subjects, indeed, many jobs in the screen sectors require a combination of creative and STEM skills, and that is increasingly the case, but note that the extraordinary domestic and international success of the screens sectors is driven by creativity and that creative subjects have been deprioritised over many years with the consequence that a valuable UK resource has been underexploited.

We also need an apprenticeship and skills framework which works for creative, project based activity. Given the current scheme's requirement for apprentices to be employed by a single employer for a minimum of a year, the nature of production work in the screen sectors – with projects rarely lasting for 12 months – mean that for many companies in the sector, the Apprenticeship Levy is simply a payroll tax with no positive effect on training. Supported by funding from the Department for Digital, Culture, Media and Sport, ScreenSkills is partnering with Warner Bros. and Netflix on an innovative pilot apprenticeship programme to enable

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the total value of services exported by the UK rose by 71% (from £174.1bn to £297.4bn). Source: Source: DCMS Sectors Economic Estimates 2017 Trade In Services, Table 1 and DCMS Sectors Economic Estimates 2018 Trade in Services, Table 2

[95] Source: DCMS Sectors Economic Estimates Employment 2019

[96] Source: DCMS Sectors Economic Estimates Employment 2015 and DCMS Sectors Economic Estimates Employment 2019

[97] Ibid

more people to join the film and TV industries through an apprenticeship[98]. The pilot will test the costs and sustainability of the model and provide data to show what further reforms might be required to unlock support for training opportunities in this growth sector, including the estimated £15m a year in Apprenticeship Levy funds that the screen sectors are currently unable to use (out of £20m paid in).

Skills policies across the UK should encourage collaboration and reciprocity across the UK nations to maximise the availability and use of employer-designed Apprenticeship Standards. High quality apprenticeships, such as the BBC's degree level broadcast engineering programme, are run in partnership with specific higher education institutes. Working with industry partners to create centres of excellence in these institutes would help unlock the benefits of economies of scale for training providers.

Government should work with the screen sectors to develop initiatives to ensure that opportunities in our industry are promoted and facilitated across all demographics, including through the development of creative clusters and regional hubs to unlock talent in the nations and regions. We believe that there is scope to build on existing creative clusters with the greatest growth potential, and targeted investment – and closer links between bodies representing the screen sectors and LEPs – could help them achieve critical mass. Such an approach would allow these regional hubs to develop their own economies of scale, and is preferable to policies that attempt to spread activity too thinly around the UK, which prevent the formation of scale economies and network effects.
We also note the historic importance of the Public Service Broadcasters and the Independent Film sector, as well as commercial broadcasters, in developing talent and career progression. In this regard there is a particular need for urgent intervention to preserve the Independent Film sector, given (a) the challenging market conditions it has been facing in the shift from analogue to digital and (b) the UK's withdrawal from the Creative Europe programme that has played a vital role in supporting that part of the UK screen sectors.

As well as development, retention is also key. For the screen sectors, the UK's high skill, high productivity, creativity-driven workforce is both portable and in great demand in competitor territories. It is therefore vital that UK production incentives are internationally competitive so that UK companies can retain staff and prevent a 'skills drain'.

The pandemic lockdown has also underlined the precarious nature of freelance working. Freelance working is commonplace and inevitable in the 'project based' screen sectors, and although its nature is very different from low wage, low skill 'gig economy' working (such as that found in hospitality), the gaps in the Covid-support measures through which so many screen sector freelancers have fallen (as shown in Section E) have sown concern and there needs to be long term thinking – involving industry and government - about the mechanisms and frameworks that might support skill retention and upskilling in relation to such a high productivity, high value but freelance workforce.

In a world class sector like the screen sectors, 'the best want to work with the best' and creative teams thrive on difference – we need a migration and visa policy that facilitates this.

Q7. Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?

[98] Source: Warner Bros. and Netflix join ScreenSkills in innovative apprenticeship pilot, ScreenSkills Press Release, January 2020

British Screen Forum considers that the most important thing is that public policy interventions in the economic sphere should focus on those sectors with the attributes we set out in response to Q1, namely:

- Strong record of recent growth
- Established competitive advantage in international markets
- Proven ability to attract inward investment
- High skill, high productivity workforce
- Roles less vulnerable to technological replacement
- Proven potential to drive growth and prosperity across the nations and regions and across all demographics

The Industrial Strategy was a way of formalising/codifying that approach, but the approach, and the policy it drives, is more important than the label it is given or the framework within which it sits. What is still relevant is the identification of the Creative Industries (including the screen sectors) as one of the key industrial sectors on which the UK's future economic growth and prosperity depends. That judgement was founded on compelling evidence and is even more valid today than it was in 2017.

In any case, the Sector Deal agreed between the Government and the Creative Industries under the Industrial Strategy was only ever a series of first steps and can serve as a building block for the future, whether as part of a broader Industrial Strategy along the lines of that developed in 2017, or through pragmatic and targeted interventions outside such a framework.

Q8. How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralties, and councils) be reformed and better equipped to deliver growth locally?

Currently too few LEP's recognise the potential of the Creative industries to drive growth and too many are focussed on goods rather than services. They should be encouraged to engage with screen sector trade bodies to address this shortfall in understanding.

In this regard, we note and support the work being done by the most forward looking and effective of the LEPs, such as Buckinghamshire Thames Valley Local Enterprise Partnership, who are repurposing their Local Industrial Strategy as a Local Industrial Recovery Strategy in response to the pandemic and which recognises the importance of the screen sectors (and the broader Creative Industries) in delivering sustainable growth locally. This type of best practice should be encouraged across the full range of regional and local government actors.

Q9. What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

To drive forward those broader Government priorities, support for industry should focus on those sectors best able to deliver them, not least the screen sectors which have such a strong record of global export growth, of attracting inward investment on a large scale and of creating the high productivity jobs of the future on which the long term success of the levelling up agenda depends. Facilitating the development of further studio space presents a particular opportunity. We note that the UK has some flexibility with regard to the scale of the support it can provide through mechanisms that have been proven to be effective, such as the Creative Tax Reliefs.

In delivering those priorities, the Government should engage fully with relevant sectors on the design of any support and in setting priorities, for example in relation to export markets. In relation to the screen sectors, where much activity is internationally mobile, care should be taken not pursue broader social and environmental priorities in a manner which will have the unintended consequence of driving the economic activity offshore to territories where such interventions are not in place.

The screen sectors are naturally innovative and have demonstrated this in their response to the pandemic. Innovative sectors are best placed to help reset the economy and the screen sectors provide myriad opportunities to utilise new technologies – including AR, VR, AI/ML – to drive growth in ways which can support broader priorities.

We would also note that – as evidenced in our response to Q4 – the screen sectors have been playing a positive role in pursuit of the Net Zero target.

Q10. What lessons should the Government learn from the pandemic about actions required to improve the UK's resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?

There is an obvious need for improved medical testing capabilities for the state and for private industry so that future outbreaks can be identified quickly and action taken at an early stage to avoid the need for economy-wide lockdowns. It is also clear that many companies lacked the reserves necessary to survive a prolonged shock to revenue streams – policies designed to encourage the maintenance of healthy reserves should be considered.

In addition, we would highlight two key lessons for Government based on the particular experience of the screen sectors during the pandemic.

Firstly, better ways of protecting freelancers during such shocks are required. The screen sectors, by their nature, operate to a significant extent on a project basis (film by film, programme by programme, game by game, etc). To enable this, many screen sector jobs are freelance. The Film and TV Charity estimate that more than half of those employed in Film and TV are freelance, defined as operating as a sole trader, operating as a one-person limited company or working on consecutive, short and fixed-term contracts on PAYE.[99] Though the skills and salaries involved set this apart from the 'gig economy' world of minimum wage, zero-hours jobs in, for example, hospitality, the freelance screen sector workforce has been

[99] Source: Film and TV Charity submission to DCMS Select Committee, June 2020

disproportionately affected. It is estimated that 74% of Film and TV freelancers do not expect to be eligible for either of the Government's principal coronavirus support schemes for workers – the Job Retention Scheme ('JRS') and Self-Employment Income Support Scheme ('SEISS')[100]. For those film and TV freelancers working on short term PAYE contracts, an analysis by the BFI has shown that 21,796 out of a total of 31,589 are ineligible for the government SEISS support payment[101]. Quite apart from the severe financial hardship involved, there is a real risk that highly skilled screen sector workers will leave the industry as a result, with highly damaging long term consequences. We would therefore strongly encourage Government to work with the screen sectors to design a more supportive framework for our freelance workers.

Secondly, in common with other project based activity, much screen sector production activity – particularly in the independent sector – cannot proceed without insurance, as insurance is a condition of finance. For circumstances in which an external shock creates an uninsurable risk which will prevent recovery, Government needs to be ready to intervene both in the short term (through emergency loss mitigation measures, such as a fund to cover a share of any losses) and through a long term 'Pan Re' risk-pooling facility — similar to the Pool Re facility for terrorism-related claims, set up in 1993 by the insurance industry in cooperation with the Government following IRA bombings. Pan Re would similarly form a membership of various insurers, in association with the government, who are then provided a guarantee ensuring they can provide cover for pandemic-related claims.

Q11. What opportunities exist for the UK economy post Brexit and the pandemic for export growth?

If the Government prioritises sectors with the most export potential, then excellent opportunities exist for export growth. Support for the screen sectors therefore presents a prime opportunity.

At its heart, our industry is about storytelling, about providing people with ways of understanding and exploring the world in which they live. It answers a basic human need which is both eternal and universal. Although modes of delivery will continue to evolve to reflect changing lifestyles and technology, and despite the problems posed by the pandemic, the continuing demand for screen sector content and services is not in doubt and the UK is well placed to supply it.

The UK has an exceptional record of success in creating screen content for audiences right around the world. The Creative Industries (including the screen sectors) exported £35.6 billion worth of services in 2018, up 8.6% on the previous year, and following export growth in excess of 20% in each of the previous two years. This strong export growth pattern is well established, with Creative Industries exports up 122.6% since 2010, compared with an all-UK services increase of 59.1%. The Creative Industries now account for 12% of all UK service exports, compared with 8.5% in 2010[102].

These export figures are almost certainly understatements, as they do not capture 'hard to measure' trade flows for creative digital services, such as content viewed through YouTube or

[100] Ibid
[101] Source: Data provided by BFI
[102] Source: DCMS Sectors Economic Estimates 2018 Trade in Services and DCMS Sectors Economic Estimates 2017 Trade in Services

accessed globally on online newspapers and publications. A CIC/CIF/CEBR report estimates that, taking these into account (as well as exports in goods), the UK's total Creative Industries exports were worth £46 billion in 2017[103].

Looking at individual components of the screen sectors, indicative statistics show that:

- The UK is the world's second most successful exporter of TV content after the USA, and therefore punches well above its weight[104].

- Total revenues from TV exports were worth £1.4bn in 2018/19, up 7% year on year and a record high, with significant recent growth in Latin America (up 29% year on year) and the Middle East & North Africa (up 28% year on year). Importantly, given the rise of global platforms, pan-worldwide exports are up 58%.

- These TV export figures exclude foreign sales of UK sports broadcasting rights – foreign sales of broadcast rights to the English Premier League alone are currently worth £1.4bn, up 64% since 2015-16.

- Total revenues from UK film exports were worth £2.4bn in 2017, with UK made films generating $10.3 billion in global theatrical box office receipts, a 25% share[105].

- There are more than 2,200 active games companies in the UK, including the creator of Grand Theft Auto V, the best-selling entertainment product of all time, selling 115 million units worldwide and generating over $6 billion in global revenue[106].

- There is a strong export component for emerging talent in digital media: for UK YouTube creators, 85% of viewership comes from outside of their home country[107].

The track record of the screen sectors provides an excellent base on which to build further export growth, especially given the opportunities that exist in developing markets. We would therefore encourage even greater support for screen sector export activity and more sector involvement in the setting of priorities and the design of export support initiatives.

We would also note the important truism that Britain has left the EU but has not left Europe. Europe remains an important export market for the UK screen sectors and there is a high degree of interconnected activity involving multinational screen sector companies working across the UK and EU Members States, and between UK companies working with partners in EU Members States. As the UK is no longer a Member State, we need to develop a new model for pan-European working. Doing this will require engagement from both Government and industry.

Q12. What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?

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[103] Source: "The true value of Creative Industries digital exports", CIC/CIF/CEBR, March 2018
[104] Source: EURODATA TV / MEDIAMETRIE. Figures relate to the period: 1 March 2015 to 28 February 2016
[105] Source: We Are UK Film
[106] Source: Data provided by Ukie
[107] Source: Data provided by Google

As noted in Section D, the pre-pandemic screen sectors enjoyed a generally healthy, if complex ecosystem (despite severe challenges for UK Independent Film). This was based on a mixed ecology (PSB / Commercial, Public / Private, Ad funded / Subscription / Licence Fee funded, Large / Small, Inward Investment / Domestic finance, etc.) supported by a range of strategic interventions, including highly effective screen sector tax reliefs which have delivered returns on investment for each £1 of tax relief of £7.69 (film), £6.10 (high-end TV), £4.44 (animation), £4.00 (video games) and £2.73 (children's content)[108].

Despite the scale of the economic shock delivered by the pandemic, we do not believe that an enhanced ownership role for Government is necessary or desirable in the screen sectors. Rather than Government taking a larger shareholder or investment position, the screen sectors will best deliver the sustainable, export-led growth the UK requires if Government focusses on ensuring an appropriate framework within which screen sector businesses can operate, supported by targeted policy interventions, such as the Creative Tax Credits which are proven to deliver significant return on investment. We would note the considerable inward investment in the UK screen sectors, not just in terms of individual film and TV projects, but also in the development of studio capacity and long term leases of production facilities. A long term commitment by Government to supporting the screen sectors – especially through the Creative Tax Credits - would encourage more foreign investment.

If the screen sectors have access to the right talent, access to markets, access to finance, the ability to create across borders, and a supportive copyright and enforcement regime they will deliver post-pandemic growth for the UK and create sustainable high productivity jobs of the future.

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[108] Figures for 2016 (latest year available). Source: [Screen Business: how screen sector tax reliefs power economic growth across the UK – Olsberg.SPI & Nordicity for the BFI]