



British Screen Advisory Council

'Bringing the audiovisual industries together'



Building our Industrial Strategy

Priorities for a Sector Deal: supporting continued growth in the UK audiovisual and interactive entertainment sector

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Executive Summary

The British Screen Advisory Council (BSAC) is an independent, industry-funded umbrella group bringing together many of the most influential people working across the value chain in the audiovisual and interactive entertainment sector, including television, film, video games and digital media, and leading technology firms and ISPs. We strongly welcome the inclusion within the Building Our Industrial Strategy Green Paper of the Creative Industries as one of the key sectors that is identified for a potential ‘sector deal’. This paper sets out five prerequisites for a successful audiovisual sector and identifies nine key priorities for that sector deal.

The audiovisual and interactive entertainment sector has demonstrated strong growth and aims to achieve an even larger share of the global market for audiovisual goods and services, driving growth and jobs within the UK, and exports and ‘soft power’ influence abroad.

To further develop this world class sector and drive growth, jobs, exports and influence we need:

- **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
- **Access to markets** – we need the fullest possible access to foreign markets for our creative content and services
- **Access to finance** – we 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
- **The ability to create across borders** – we need cross-border models of cooperation that reflect how creative content is produced
- **A supportive copyright and enforcement regime** – we need the current copyright framework to be maintained and enforcement mechanisms to be enhanced so that the UK is a world leader in effective enforcement of rights

Nine priorities for a Sector Deal		Desired outcomes from Government and industry
Access to the right talent		
1.	Education and training policies to nurture creativity in the young, and ensure educational opportunities are available to all (across social groups and across the UK)	<ul style="list-style-type: none"> • Closer links to the Creative Industries in the education sector, including the nurturing of young talent and developing courses that better meet industry sector needs • A system for training and skills development that meets the particular needs of the Creative Industries • New policies to meet the skills needs of the sector over the longer term, including through the development of creative clusters and regional hubs to unlock talent in the nations and regions
2.	UK audiovisual companies to be allowed the freedom to bring people in from overseas in defined circumstances	<ul style="list-style-type: none"> • A pragmatic migration and visa regime that properly recognises, and responds to, the distinctive characteristics of the Creative Industries, e.g. short-term projects, non-UK talent

Access to markets		
3.	Audiovisual companies to preserve comparable access to EU markets	<ul style="list-style-type: none"> • Access for UK audiovisual companies providing content and TV channels to EU markets post-Brexit through a model that retains or secures the same benefits as the 'Country of Origin' principle and keeps the UK within the European works definition • Securing a comprehensive non-discrimination agreement with the EU post-Brexit to ensure that UK-owned companies operating in EU Member States are not subject to less favourable treatment • Securing a data adequacy agreement with the EU post-Brexit, to allow cross-border data transfers to continue, and harmonisation of rules on data protection
4.	UK audiovisual companies to seek to further grow their presence in non-EU markets around the world	<ul style="list-style-type: none"> • An evidence-based international trade policy that works with the sector to identify key target countries, genuine barriers, and creative ways to navigate access for business • Regarding immigration policy, securing 'easy wins' (e.g. a possible new Erasmus-like scheme) whilst avoiding unintended consequences in broader economic policies (such as rules preventing bright foreign students from going on to work in the UK) • Preservation of the elements of the UK Creative Industries that are working well and contribute to its strength and competitiveness, e.g. the PSB system, fiscal incentives and strong IP regime
Access to finance		
5.	Adjustments to financing and support schemes operating in the UK to optimise their benefits to the audiovisual sector	<ul style="list-style-type: none"> • Review of definitions and eligibility criteria for certain existing incentivising financial arrangements operating in the UK (such as EIS and SEIS) • Additional funding to enhance the Government's understanding of the audiovisual sector • A policy framework that facilitates investment in studios and infrastructure • Continued support for the creative industry tax reliefs and PSB interventions, which promote investment in high-quality UK original content
6.	A close and ongoing dialogue between Government and industry as Brexit negotiations proceed, to inform access to financing schemes in the EU and globally	<ul style="list-style-type: none"> • Ongoing dialogue on options for financing schemes between the Government and industry • Access to the same, or equivalent, benefits as those provided under EU programmes • Participation in new international networks beyond the EU
The ability to create across borders		
7.	Ability to do project work across borders without hindrance	<ul style="list-style-type: none"> • Agreement with the EU for British and European audiovisual companies undertaking production activity (including co-productions), or engaging in relevant R&D, to move people and equipment between countries seamlessly, as needed • Explore similar cross-border models of cooperation outside the EU for projects involving other countries
A supportive copyright and enforcement regime		
8.	Maintenance of current copyright provisions with no weakening either as a result of EU proposals and initiatives or otherwise	<ul style="list-style-type: none"> • Strong endorsement of the crucial role of copyright in gaining a return on investment in content creation and distribution • Forceful opposition to the current attacks on exclusive territorial licensing in the EU Digital Single Market copyright proposals and otherwise, which would hurt UK consumers
9.	Action to fill gaps in criminal sanctions applying to illicit streaming of audiovisual content, including to improve deterrence, while also exploring other critical enforcement issues	<ul style="list-style-type: none"> • Urgent legislative change to improve enforcement against illicit streaming • Work with stakeholders to address other enforcement issues without delay

Building our Industrial Strategy

Priorities for a Sector Deal: supporting continued growth in the UK audiovisual and interactive entertainment sector

Background

The British Screen Advisory Council (BSAC) is an independent, industry-funded umbrella group bringing together many of the most influential people working across the value chain in the audiovisual and interactive entertainment sector, including television, film, video games and digital media, and leading technology firms and ISPs. BSAC works closely with policymakers across UK government departments and the relevant Directorates of the European Commission to provide an informed lead on emerging business trends and to provide advice on policy.

BSAC – along with others in the audiovisual sector and the Creative Industries more broadly – have long argued for greater recognition by successive Governments of the Creative Industries’ importance to the economy and the value of our sector’s soft power on the global stage. We therefore strongly welcome the inclusion within the Building Our Industrial Strategy Green Paper of the Creative Industries as one of the key sectors that is identified for a potential ‘sector deal’.

The UK’s Creative Industries represent a global success story in both economic and cultural terms. In economic terms, they account for 5.3% of the UK economy (£87.4 billion Gross Value Added), generating £20 billion in exports and almost 2 million jobs, after having grown for each of the last five years as a proportion of total GVA.

In its most recent quarterly GDP estimates, the ONS cites ‘Motion picture activities’ (which include film production and distribution) as the second biggest contributor to headline GDP growth, growing by 8.2%¹. The latest ONS figures also show that since 2014 the economic value of the UK’s film, TV and music industries has grown by 72.4%, compared with just 8.5% across the European Union².

1 See ONS, ‘GDP preliminary estimate, April – June 2017’ (26 July 2017), at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/grossdomesticproductpreliminaryestimate/uptoJune2017>

2 See ONS, ‘Monthly economic commentary, July 2017’ (26 July 2017), at: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/monthlyeconomiccommentary/july2017>



The audiovisual and interactive entertainment sector is an important and hugely successful part of the Creative Industries: for example, the UK is the world's second most successful TV content exporter (after the USA)³ and a world-leading hub for visual effects (VFX) production, whilst the games sector comprises more than 2,000 firms. 95% of UK games companies export at least some of their products and services to overseas markets, while 78% of UK YouTube Creators' viewership comes from outside the UK. Audiovisual content also provides cultural and social value. Overseas, this is a vital driver of soft power. British stories and characters – such as James Bond, Harry Potter, Sherlock Holmes and Paddington Bear – entertain audiences around the world. These and other brands showcase the UK's creativity, innovation and unique sense of humour. They help to promote British culture and storytelling, while the BBC and other British news organisations also promote openness and democratic values.

Our rich and flourishing culture is an essential component that drives the success of the audiovisual sector: it acts as the source of inspiration for the talent of today and tomorrow, helping to ensure that we have the skills and the ambition to seize commercial opportunities and create wealth for the UK. For example, many leading British filmmakers were first inspired by the films they saw at independent cinemas around the UK. In this way, a thriving culture and the development of an industry exporting British IP are inextricably linked.

This creative culture, and the success of the audiovisual sector, is strengthened when we draw on the talents of people from all groups in society, so that we reflect the diversity of the UK both on- and off-screen. Industry diversity initiatives – such as the BFI's 'three ticks' criteria for Lottery-funded film productions, and Project Diamond, the TV industry's diversity monitoring scheme – are intended to help monitor and improve the representation of people from diverse backgrounds in the sector.

³ Source: EURODATA TV / Relevant partners – reproduction forbidden, all rights reserved by MEDIAMETRIE. Figures relate to the period 1 March 2015 to 28 February 2016.

The sector aims to achieve an even larger share of the global market for audiovisual goods and services, building on our recent successes in order to continue the upward trajectory we have established over the last few years. This relates both to content for which the IP is owned and exploited by British companies, and content that is made in the UK (including inward investment). The success of the sector will also help to strengthen the UK's soft power as new trade deals are sought with countries outside the EU. To further develop this world class sector and drive growth, jobs, exports and influence, we need access to the right talent, to foreign markets and to finance; the ability to create across borders; and an effective copyright and enforcement regime. This document highlights the ambitions for the UK's audiovisual sector in these areas, focusing primarily on outcomes rather than mechanisms.

The nine recommendations are the result of work undertaken by four Working Groups – covering the areas cited above – to identify key priorities for the audiovisual and interactive entertainment sector, initially following the 2016 Brexit referendum⁴ and subsequently to respond to the Government's Industrial Strategy Green Paper consultation⁵ and to the Bazalgette Review⁶. Throughout this process, BSAC has worked closely with other key bodies in the Creative Industries, such as the Creative Industries Council (CIC), to ensure that our proposals are consistent and complementary. This paper further distils the positions explored in those previous submissions and reflects the fact that the new relationship between the UK and the EU – which will necessarily have an impact on the ultimate shape of any sector deal – is currently being negotiated.

Access to the right talent

To enable audiovisual and interactive entertainment companies 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

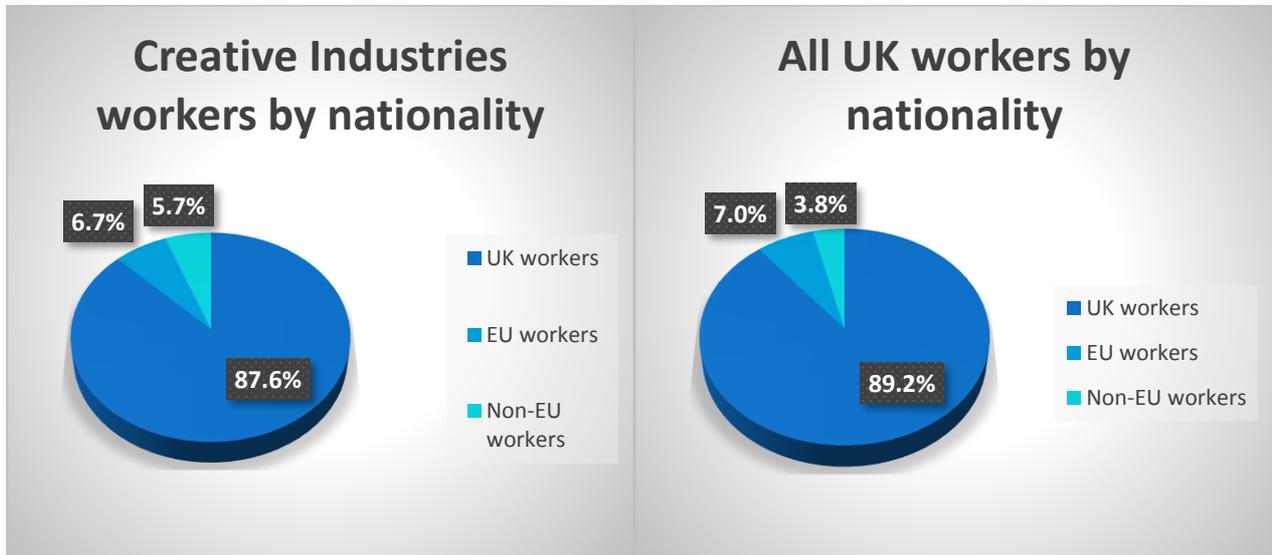
In terms of overall numbers, the audiovisual sector as whole is not unusually dependent on workers from outside the UK. That said, the video games sector has a high reliance on non-UK workers, especially for new and/or specialist skills, whilst across the sector more generally acute skills shortages currently exist in certain technical roles (such as visual effects and computer animation for film or TV). For the Creative Industries, 6.7% of workers are from other EU

⁴ See: BSAC, 'Recommendations to Government on the UK's new arrangements with Europe' (26 October 2016), at <http://www.bsac.uk.com/wp-content/uploads/2016/10/BSAC-Recommendations-to-Government-on-Brexit-FINAL.pdf>

⁵ See: BSAC "Building Our Industrial Strategy": response to HM Government Green Paper' (17 April 2016), at <http://www.bsac.uk.com/wp-content/uploads/2017/04/BSAC-Response-to-BEIS-Industrial-Strategy-Green-Paper-FINAL.pdf>

⁶ See the two papers constituting BSAC's contributions to the Bazalgette Review (26 May 2017): 'Paper A: "Creative Clusters (including Talent)", "Exports" and "accessing investment and research and development"', at <http://www.bsac.uk.com/wp-content/uploads/2017/05/BSAC-Bazalgette-Review-Paper-A-FINAL.pdf> and 'Paper B: "Developing intellectual property"', at <http://www.bsac.uk.com/wp-content/uploads/2017/05/BSAC-Bazalgette-Review-Paper-B-FINAL.pdf>

Member States and 5.7% are from countries outside the EU, compared with national averages of 7% and 3.8% respectively⁷. Within the UK, we need to draw on talent from all parts of society, with renewed efforts to target under-represented groups, e.g. BAME and financially disadvantaged communities.



However, the value of creative projects being able to draw on the right global talent – at the right time – in order to create world-class content cannot be overstated. We need a skills pipeline which delivers UK talent with the right skills, and we also need access to the best talent the world has to offer, whatever the nationality.

- 1. Education and training policies must nurture creativity in the young and ensure educational opportunities are available to all (across social groups and across the UK)**

Desired outcomes from the Government and industry:

- Closer links to the Creative Industries in the education sector, 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 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 Creative Industries need will also support the supply of the kinds of skills and talent that will be increasingly

⁷ Source: All figures from DCMS, 'Sectors Economic Estimates: Employment – Creative Industries sub-sectors' (July 2017), at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632833/DCMS_Sectors_Economic_Estimates_Employment_Creative_Industries_Subsectors.xlsx

needed in other parts of the economy. The Government and industry should also 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 Future Film Skills Programme, recently launched by the BFI and the Film Skills Industry Task Force.⁸ An aim should be to maximise 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.

- **A system for training and skills development that meets the particular needs of the Creative Industries.** The Government should work with industry to design a review of the skills needs of the Creative Industries. Some work in this area has already been initiated by the BFI, Creative Skillset and other groups. The aim should be for a formal Government review to take place 12 months after the launch of the Apprenticeship Levy, and thereafter further reviews to be conducted on a regular basis, to reflect the ongoing changes in the skills needs of the workforce to keep up with fast-moving technology. We also propose sectoral and/or regional pilots that would allow flexibility to experiment with the best way to unlock Apprenticeship Levy money in the Creative Industries. As part of this, we need to harness the creative talents of people not currently working in Creative Industries, including those from under-represented groups – while this varies from sector to sector, it typically means women, people who are not white, who are from lower socio-economic groups, or who have a disability. We welcome the focus on diversity in the BFI’s new 10 Point Action Plan to support thousands to join the UK screen sector with the skills needed for production, construction, electrical, camera, art department and VFX⁹. Skills policies across the UK should encourage collaboration and reciprocity across the UK nations to maximise the availability and use of the 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.
- **New policies to meet the skills needs of the sector over the longer term, 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. And policies are needed to encourage the expansion of the provision of training and education to meet long-term needs. We

⁸ The Future Film Skills Programme identifies the importance of a shared careers information advisory service that provides a secure pipeline from early industry awareness through to network supported careers. It brings together a number of key players, from Lottery-funded schemes such as Into Film, to Department of Education-funded programmes like the BFI Film Academy. The intended result is a pipeline that begins with screen sector career awareness at primary school level, and is steadily supported by industry as young people make key decisions about their qualifications in their later teens. See <http://www.bfi.org.uk/film-industry/bfi-film-skills-fund-bfi-business-development-fund>

⁹ See: BFI, ‘Future Film Skills – An Action Plan’ (June 2017) at: <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/future-film-skills-an-action-plan-2017.pdf>

believe that there is scope to build on existing creative clusters¹⁰ with the greatest growth potential, and targeted investment – and closer links between bodies representing the Creative Industries 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 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 audiovisual sector. 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). In these parts of the audiovisual sector in particular, it is important not to undermine the economies of scale achieved in London, which enable the UK to compete effectively in global markets. Given the growth potential in the sector, we do not believe this to be a zero-sum game: the aim should be to grow the overall market in a way that simultaneously reinforces London as a global hub and grows activity in the nations and regions in a targeted manner.

2. UK audiovisual companies must be allowed the freedom to bring people in from overseas in defined circumstances

Desired outcomes from the Government and industry:

- **A pragmatic migration and visa regime that properly recognises, and responds to, the distinctive characteristics of the Creative Industries, 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). The Government should prioritise working with the strategic sectors identified in the Industrial Strategy – of which the Creative Industries are one – to develop processing and eligibility criteria that keeps pace with their rapidly evolving skills needs. We need a pragmatic approach to migration to allow people from overseas to work in the Creative Industries and which minimises the bureaucracy

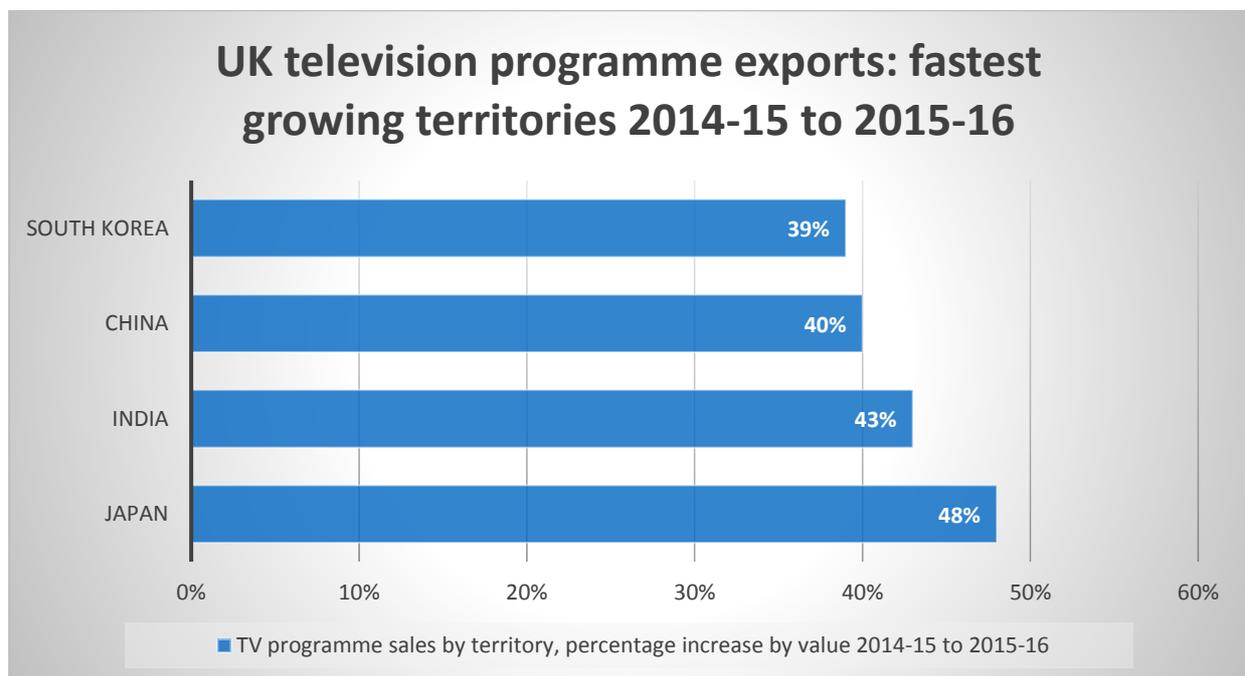
¹⁰ Nesta's work on creative clusters is valuable, see Nesta, 'The Geography of Creativity in the UK' (July 2016), at https://www.nesta.org.uk/sites/default/files/the_geography_of_creativity_in_the_uk.pdf and 'A Map of the UK Games Industry' (September 2014), at http://www.nesta.org.uk/sites/default/files/map_uk_games_industry_wv.pdf

involved (in terms of cost, time, paperwork and approvals needed), especially for short-term project-based work and areas of identified skills shortages. This might, for example, involve a simplified visa model with class licences for companies that meet relevant criteria. Likewise, we need to ensure that our European partners can continue to access UK talent, crew and services, as they currently can due to our EU/EEA status.

Access to markets

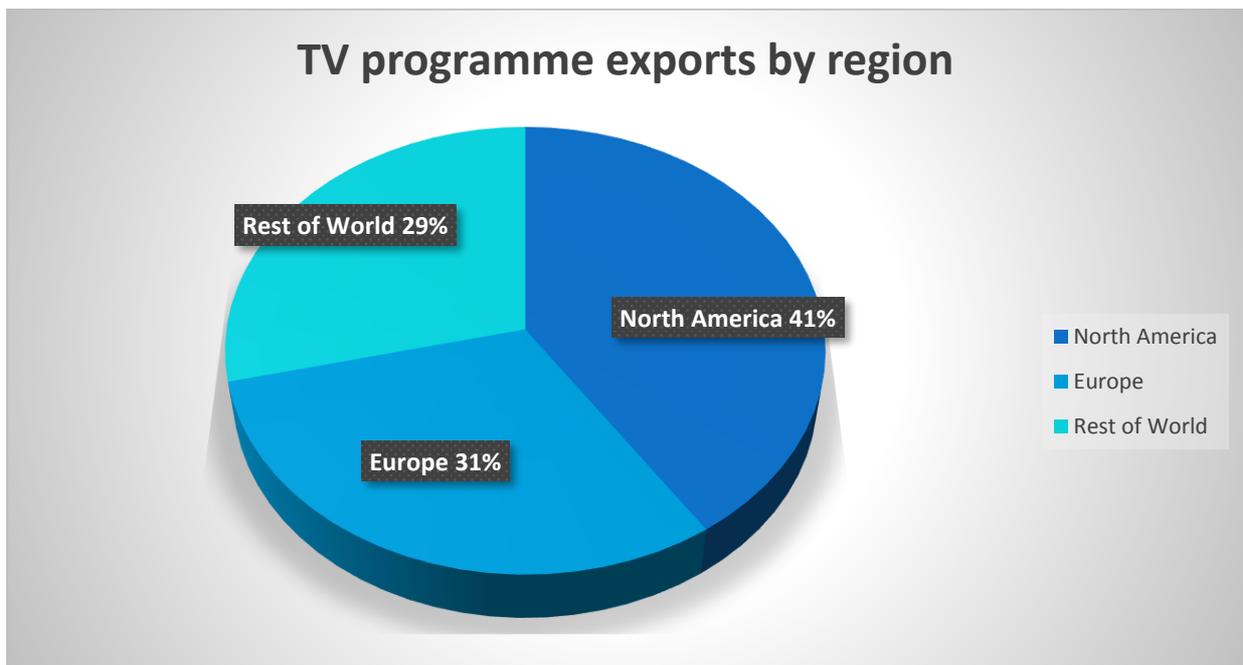
We need the fullest possible access to foreign markets for our creative content and services

Past evidence demonstrates that the UK audiovisual and interactive entertainment sector thrives through access to foreign markets. The UK is the world's second most successful exporter of TV content (after the USA)¹¹ with TV exports worth over £1.3 billion per year – up 10% from 2014-15 to 2015-16 – and significant recent growth in non-EU countries with great growth potential such as China, India and South Korea. At the same time, traditionally strong export markets in North America and Europe remain vital¹².



11 Source: EURODATA TV / Relevant partners – reproduction forbidden, all rights reserved by MEDIAMETRIE. Figures relate to the period 1 March 2015 to 28 February 2016.

12 See: Pact, 'UK Television Exports 2015/16' (3 February 2017), at <http://www.pact.co.uk/asset/6E7181A3-728C-4C93-8F2642627AF8E036/>



This does not include foreign sales of UK sports broadcasting rights – foreign sales of broadcast rights to the English Premier League alone were worth £855 million in 2015-16, up 67% since 2012-13. For UK-based YouTube Creators, 78% of viewership comes from outside the UK. And the UK games industry created *Grand Theft Auto V* – the global best-selling entertainment product of all time – while on average UK games companies generate 45% of turnover from overseas sales.

In terms of audiovisual services, the UK is home to more broadcast channels than any other EU Member State (1,400 channels compared with our nearest rival, France, with just over 400 channels), with over half of UK channels broadcasting to markets outside the UK. The total direct value of channels based in UK but broadcasting to other markets (overwhelmingly in the EU) is £400m per year, representing about 20% of the total direct value of the UK multichannel sector and roughly equivalent to the value of total UK programme export sales to the EU.

3. Audiovisual companies need to preserve comparable access to EU markets

Desired outcomes from the Government and industry:

- **Access for UK audiovisual companies providing content and TV channels to EU markets post-Brexit through a model that retains or secures the same benefits as the ‘Country of Origin’ principle and keeps the UK within the European works definition.** This means:
 - a. Maintaining access for UK-based TV channels and Video OnDemand (VoD) services to transmit into EU markets (as currently provided by the Country of

Origin (COO) principle in the Audiovisual Services Media Directive (AVMSD)), which has underpinned the UK's development into Europe's leading broadcasting hub. Losing this would create direct costs for broadcasters, which could be obliged to relocate operations to within the EU with consequent direct negative effects on employment, and additional indirect losses for the UK creative economy, which thrives on clusters and network effects.

- b. Ensuring UK content continues to qualify as 'European Works' post-Brexit (as currently achieved through reference to the European Convention on Transfrontier Television in the Audiovisual Media Services Directive), which supports UK programme exports and underpins investment in UK content from companies based in the UK and across the EU. Given that all EU channels must show at least 50% European works, ceasing to qualify would mean that UK-based channels would go from competing for up to 100% of a channel's schedule to a maximum of 50%. A European works quota for VoD services is also likely to be introduced in the EU. UK Government needs to remain a signatory to the Convention and avoid any unhelpful revisions of the definition or reference in the AVMSD.
- **Securing a comprehensive non-discrimination agreement with the EU post-Brexit 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 other 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 the other is Member State-owned. Without a non-discrimination agreement, less favourable treatment of UK owned companies would potentially become possible post-Brexit 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.
 - **Securing a data adequacy agreement with the EU post-Brexit, to allow cross-border data transfers to continue, and harmonisation of rules on data protection.** 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. It is critical that the Government ensures that there is a robust legal basis in place following our departure from the EU for cross-border data transfers to continue. The Government should prioritise obtaining a data adequacy decision from the EU as early as possible and, following our departure from the EU in 2019, ensure that UK and European data protection regulators continue to have a close and productive relationship. 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.

4. UK audiovisual companies should seek to further grow their presence in non-EU markets around the world

Desired outcomes from the Government and industry:

- **An evidence-based international trade policy that works with the sector to identify key target countries, any genuine barriers and creative ways to navigate access for business.** There a number of ways in which the Department for International Trade could support the audiovisual sector within the Creative Industries. 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 the creative industries, 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).
- **Regarding migration policy, securing ‘easy wins’ (e.g. a possible new Erasmus-like scheme) whilst avoiding unintended consequences in broader economic policies (such as rules preventing bright foreign students from going on to work in the UK).** The distinctive characteristics of the Creative Industries mean that general economic policies can have unanticipated effects, both positive and negative. There could be significant positive benefits from identifying initiatives that could be highly beneficial to companies in the Creative Industries – a UK version of the Erasmus scheme, to encourage young people to experience life in other countries, is one example. It is also important to recognise when current policies have significant and unintended negative impacts, and to mitigate them. For example, not allowing foreign students who come to study in the UK to work for UK creative (and other) companies after graduating is a huge missed opportunity, and may be exacerbated post-Brexit if such opportunities are also denied to EU nationals studying in the UK.
- **Preservation of the elements of the UK Creative Industries that are working well and contribute to its strength and competitiveness.** When negotiating future trade deals, the Government should, in the context of an overall high level of ambition to create favourable conditions for exports of UK film and television, maintain freedom of manoeuvre to adopt regulatory interventions as necessary to support the Creative Industries and meet audience expectations, and must preserve the elements of the UK regulatory framework that have contributed to the success of the sector. As new trade deals are negotiated, it is therefore vitally important that the Government promotes audiovisual exports but does not trade away the elements of the UK Creative Industries that underpin the existing sector’s strength and potential to grow, such as the PSB system, fiscal incentives and strong IP regime.

Access to finance

We 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 audiovisual and interactive entertainment 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 audiovisual sector, 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 (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 have highlighted earlier in this document 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 audiovisual sector to compete successfully in the global marketplace and deliver year-on-year growth in the past five years (including treble the national growth rate in the most recent year for which figures are available¹³). Maintaining and – where appropriate – enhancing these mechanisms will help drive future growth in the sector.

¹³ See: DCMS, ‘DCMS Sectors Economic Estimates’ (August 2016), Table 3.1: GVA contribution by DCMS sectors: 2010 – 2015 (p.7), at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544103/DCMS_Sectors_Economic_Estimates_-_August_2016.pdf

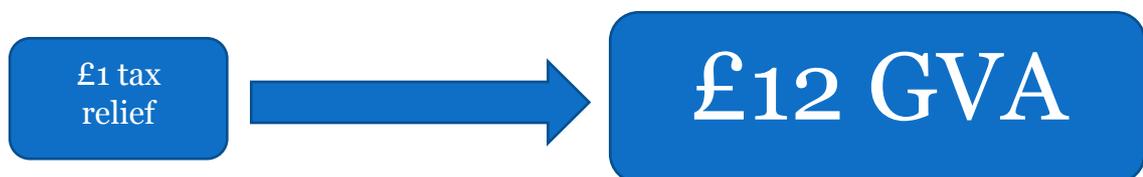
The audiovisual sector benefits hugely from the integral role played by global media companies operating here, especially the US majors. Overseas media companies invest in the UK's film, TV, video games and digital media sectors in order to benefit from the high quality of our skills and infrastructure, 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. The Industrial Strategy needs to ensure that the total amount of all forms of inward investment (FDI and other forms of inward investment) is healthy and growing.

5. Adjustments to financing and support schemes operating in the UK to optimise their benefits to the audiovisual sector

Desired outcomes from the Government and industry:

- **Review of definitions and eligibility criteria for existing financing schemes operating in the UK.** Incentivising financial arrangements that are designed for the whole economy often do not work effectively in the audiovisual sector due to specific structural features of the sector, 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 in the audiovisual sector. Suggested amendments include: (i) 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; (ii) reviewing the criteria for the R&D tax credit to support investment in the Creative Industries; and (iii) ensuring R&D in the Creative Industries is eligible for the new Challenge Fund. In particular, this presents an opportunity for the UK to develop a leading position in the nascent immersive technology market. The virtual reality industry alone is predicted to be worth over \$100 billion by 2021. Supporting VR and AR through the Challenge Fund presents an opportunity to stimulate the UK industry to be a world leader in immersive technology, creating synergies between the Creative Industries and other sectors such as healthcare and manufacturing, which stand to benefit from innovation in this area.
- **Additional funding to enhance the Government's understanding of the audiovisual and interactive entertainment sectors.** Funding for additional resources in key public bodies would enhance their expertise in, and understanding of, the distinctive characteristics of, the audiovisual sector. 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 Creative Industries infrastructure (such as studios) – as per the Government's response to the House of Commons Culture, Media and Sport Select Committee recommendation in the 'Supporting the creative economy' report¹⁴. Other ways of providing a more favourable environment include facilitating closer links between bodies representing the Creative Industries and LEPs to feed into their Strategic Economic Plans (BSAC's Green Paper submission provides further recommendations).
- **Continued support for the creative industry tax reliefs and PSB interventions, which promote investment in high-quality UK original content.** The UK's PSB system and support for the film industry ensure that the film and TV sectors punch well above their weight. The top priority is to preserve the success of these sectors and the public-private ecosystems that underpin them. This means maintaining and building on existing PSB interventions, with the priority being not to undermine the benefits that they bring. The creative industry tax reliefs also work well, with every £1 in film tax credits generating £12 in GVA¹⁵, in part due to their success in attracting inward investment, and should not be weakened.



In the film industry, there is merit in a specific review of the interventions to support the indigenous film production sector; we welcome the BFI's recently-announced Commission on UK Independent Film (part of its 2017-2022 strategy), which will make recommendations to improve the sector's prospects. To reiterate, it is important to ensure that any new or amended interventions should be developed through careful examination of the benefits that would result, and should take care to avoid unintended consequences in terms of the overall sector deal and the Brexit negotiations.

14 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/cmcomeds/945/94504.htm>

15 See: European Audiovisual Observatory and Olsberg SPI report, 'Impact analysis of fiscal incentive schemes supporting film and audiovisual production in Europe' (2015), and as cited by Cineuropa (7 February 2015), at <http://www.cineuropa.org/nw.aspx?t=newsdetail&l=en&did=286216>

6. A close and ongoing dialogue between Government and industry is vital as Brexit negotiations proceed, to inform access to financing schemes in the EU and globally

Desired outcomes from the Government and industry:

- **Ongoing dialogue on options for financing schemes between the Government and industry.** For European and other international financing support schemes, a close dialogue between Government and industry will be needed, as the nature of the post-Brexit deal takes shape, in order to address any trade-offs that might arise between different options and to secure the optimal final package.
- **Access to the same, or equivalent, benefits as those provided under the EU programmes.** Whilst also taking into account the objective of securing access to markets in the EU and around the world, our starting point is to seek to retain access to those European schemes that are demonstrably helpful, including the MEDIA programme / Creative Europe and Horizon 2020. We note that in Creative Europe's first three years (2014-16), grants totalling €40 million have benefitted the UK audiovisual sector. MEDIA sub-programme beneficiaries in the UK have also been able to leverage match-funding worth five times the amount of their Creative Europe grants during this period, leveraging €108 million from grants of €21 million, while €18 million worth of grants supporting distribution of UK films in Europe attracted further €44 million investment from distributors outside of the UK (see Annex 1 for further details). Where continued access to these European schemes is not possible, the aim should be to develop alternative proposals that would deliver the same benefits. Such alternatives may be less efficient, as the MEDIA programme / Creative Europe provide network benefits that would not exist in a purely national scheme, and administrative costs are shared rather than borne by the UK alone. In the case of Horizon 2020, the qualitative benefits of pan-European expertise and collaboration in R&D are unique and could not be replicated by a competing national scheme. In particular, Horizon 2020 has enabled the UK to lead the definition of European-wide standards, such as for digital TV, and to promote instant adoption of new technologies across Europe, creating a market of scale.
- **Participation in new international networks beyond the EU.** As we look increasingly at markets outside the EU, we should consider any broader international networks that might bring additional benefits to the European schemes.

The ability to create across borders

We need cross-border models of cooperation that reflect how creative content is produced

The model that underpins international co-productions in the Creative Industries (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).

7. Audiovisual companies need the ability to do project work across borders without hindrance

Desired outcomes from the Government and industry:

- **Agreement with the EU for British and European audiovisual companies undertaking production activity (including co-productions), or engaging in relevant R&D, to move people and equipment between countries seamlessly, as needed.** It is essential that audiovisual companies working across borders are able to move people and equipment between countries seamlessly, as needed. Up to now, EU membership has enabled frictionless cross-border cooperation for European productions and co-productions, and it is important for our sector to maintain this post-Brexit. The same is true for audiovisual companies engaged in R&D activity. One option for achieving this could be a reciprocal ‘cultural passport’ scheme for companies engaged in the creation of audiovisual content within and without the UK.
- **Explore similar cross-border models of cooperation outside the EU for projects involving other countries.** As the Creative Industries seek to grow further, relationships with non-EU countries will become more important. We should explore initiatives (including co-production treaties, see below) 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

We need the current supportive copyright framework to be maintained and the UK to be a world leader in effective enforcement of rights.

The current intellectual property rights (IPR) regime underpins the success of the audiovisual and games sector. 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 consumers¹⁶. 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.

8. Maintenance of current copyright provisions is essential with no weakening either as a result of EU proposals and initiatives or otherwise

Desired outcomes from the Government:

- **Strong endorsement of the crucial role of copyright in gaining a return on investment in content creation and distribution.** Calls for a major copyright review and the introduction of a ‘fair use’ exception should be resisted¹⁷. Finding a way to maintain the benefits of current EU provisions which involve reciprocity in EU Member States, including on portability of digital content services, following Brexit should be the priority.

¹⁶ BSAC also supports limited exceptions to copyright providing access to content for learning in a digital age, as explained in our response to the IPO’s call for views on the European Commission’s DSM proposals. See: BSAC, ‘Comments on Digital Single Market Copyright Proposals, published by the EU Commission on 14 September 2016’, (6 September 2016), at <http://www.bsac.uk.com/wp-content/uploads/2016/12/BSAC-Response-EU-Sept-2016-Copyright-Package-FINAL.pdf>

¹⁷ Significant changes to copyright law were enacted recently to make it fit for the digital age as a result of the comprehensive Hargreaves review “Digital opportunity: review of intellectual property and growth”.

- **Forceful opposition to the current attacks on exclusive territorial licensing in the EU Digital Single Market copyright proposals and otherwise, which would hurt UK consumers.** Such changes could result in substantially lower levels of investment in TV and film content, with consumer welfare losses worth up to €9.3bn a year, as a result of those consumers losing access to content they currently enjoy, being charged more, or being priced out completely¹⁸.
- 9. 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**

Desired outcomes from the Government:

- **Urgent legislative action to improve enforcement against illicit streaming.** There should be action in the very near future to ensure that there is effective deterrence, and when appropriate prosecution, of those knowingly engaged in facilitating access to illicit streams of audiovisual content for profit.
- **Work with stakeholders to address other enforcement issues without delay.** In particular, a UK stakeholder forum to explore improved co-operation where online services give access to content illegally uploaded by consumers should be established.

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¹⁸ See: the paper, published by economic consultancy Oxera and media consultancy Oliver & Ohlbaum, “The impact of cross border access to audiovisual content on EU consumers” (May 2016), at: [http://www.oxera.com/getmedia/5c575114-e2de-4387-a2de-1ca64d793b19/Cross-border-report-\(final\).pdf.aspx?ext=.pdf](http://www.oxera.com/getmedia/5c575114-e2de-4387-a2de-1ca64d793b19/Cross-border-report-(final).pdf.aspx?ext=.pdf)

Annex A: Creative Europe in the UK

Data provided to BSAC by the BFI.

Grants Awarded

Over the first three years of Creative Europe (2014 – 2016) grants totalling €40 million have benefitted the UK's audiovisual sector.

This is broken down as follows:

Total grant	What did it support?	Examples of UK projects supported*
€11.4 million	UK film, TV and digital platform producers and video game developers to support the development and production of projects targeted at the international market	Feature films supported in development include HIGH RISE, CAROL, BROOKLYN, HALF OF A YELLOW SUN, MR. TURNER, KON-TIKI, CITY OF TINY LIGHTS, JIMMY'S HALL, THEIR FINEST, GREAT EXPECTATIONS and I, DANIEL BLAKE
		TV dramas supported in development include HINTERLAND, THE PROMISE and MRS. MANDELA
		Documentaries supported in development include THE LOVERS AND THE DESPOT, UNCLE HOWARD, THE GREAT INVISIVBLE, THE DIVIDE, THE ISLAND AND THE WHALES and INTO THE INFERNO
		Animations supported in development include THE GRUFFALO, TOOT THE TINY TUG BOAT, DIGBY DRAGON, BOJ & BUDDIES and BING
		TV programmes supported in production include dramas THE LAST PANTHERS, HINTERLAND and SPOTLESS, documentaries SOUR GRAPES, INSIDE OBAMA'S WHITE HOUSE and animations REVOLTING RHYMES, SHAUN THE SHEEP: THE FARMER'S LLAMAS and SCREAM STREET
		Video games companies with projects supported in development include REVOLUTION SOFTWARE, THE CHINESE ROOM, ITALIC PIG and NYAMYAM
€18.4 million	Distributors in other European countries to acquire and release 114 films from the UK	JIMMY'S HALL was distributed in 20 countries with the support of Creative Europe grants totalling €961,180
		PRIDE was distributed in 17 countries with the support of Creative Europe grants totalling €1,012,579
		PADDINGTON was distributed in 12 countries with the support of Creative Europe grants totalling €661,455

€5.9 million	UK distributors and sales agents, to acquire and release films from other European countries	ELLE was acquired for the UK with a grant from Creative Europe, the film went on the gross £859,753 at the UK box office.
		IDA was acquired and released the UK with grants from Creative Europe totalling €65,650, the film went on the gross £514,319 at the UK box office.
		A BIGGER SPLASH was released in the UK with a grant of €125,000 from Creative Europe, the film went on the gross £1,205,178 at the UK box office.
€3 million	UK training providers and organisers of industry initiatives that aim to bring together professionals from different countries in order to foster collaboration and increase access to markets.	The National Film and Television School receives a Creative Europe grant of €217,735 to cover 52% of the costs of its INSIDE PICTURES training course. The course trains an international mix of 20 senior feature film executives each year to lead and grow successful businesses.
		Sheffield Doc/Fest receives a Creative Europe grant of €130,000 to cover 41% of the costs of its MEETMARKET AND ALTERNATE REALITES MARKET initiatives. In 2016, MEETMARKET attracted over 300 buyers, allowing 64 projects to be pitched at 1,400 meetings during the two day event generating £3 million work of deals (as of July 2016).
€1.6 million	UK film festivals and members of the Europa Cinemas network as well as cross-border audience development and film literacy initiatives led by UK organisations.	ENCOUNTERS SHORT FILM AND ANIMATION FESTIVAL in Bristol receives a grant of €33,000 to present a culturally and geographically diverse film and education programme.
		There are currently 53 UK cinemas in the Europa Cinemas network, sharing a total of around €250,000 annually to programme non-national European films.
		The Centre for the Moving Image in Scotland is a partner on the Creative Europe-funded film literacy project MOVING CINEMA. With the funding they receive they run an EIFF Young Programmers initiative for 15-19 year olds interested in curating and writing about contemporary European cinema.

**Due to the long-term nature of the funding, some of the examples of projects that received development support may have been funded in the previous MEDIA Programme (2007 – 2013).*

The Leveraging Effect

Direct Grants: Based on the co-financing percentages provided by the EACEA, MEDIA sub-programme beneficiaries in the UK were able to leverage match-funding worth five times the amount of their Creative Europe grant from 2014 – 2016.

	Maximum Grant Awarded €	Total Value of Project €	Total amount leveraged against the grants €
2014	9,215,684	70,614,789	61,399,106
2015	6,201,012	25,881,445	19,680,433
2016	5,592,072	32,562,115	26,970,043
Total	21,008,767	129,058,349	108,049,582

N.B. the Maximum grants Awarded doesn't include grants awarded to Europa Cinemas in the UK and it reflects the reinvestment rather than generation amounts in the Automatic and Sales Agents schemes.

Indirect support for UK films: Based on the co-financing percentages provided by the EACEA, European distributors and sales agents, who applied and received MEDIA support, invested over €44 million in the acquisition and release of UK films from 2014 to 2016. 29% of this investment came from Creative Europe grants.

The grants that supported the acquisition of UK films (MG costs) leveraged match-funding worth 3.5 times the amount of the Creative Europe grant, while the grants that supported the release of UK films (P&A costs) leveraged match-funding worth double the amount of the Creative Europe grant.

	Maximum Grant Awarded €	Total Value of Project €	Total amount leveraged against the grants €
MG Costs	5,544,207	25,387,206	19,842,999
P&A Costs	12,806,489	37,438,774	24,632,285
Total	18,350,696	62,825,980	44,475,284

Case Studies

THE DISTRIBUTOR: Curzon Film World / Curzon Cinemas

In the first three years of Creative Europe, Curzon Film World received grants totalling over €2.8 million. This supported:

The acquisition and releases of 20 non-national films from 9 different countries.

- €610,556 was awarded to support the acquisition (MG costs) of these films
- €759,200 was awarded to support the releases (P&A costs) of these films.
- 12 of these films received both acquisition support (contributions towards MGs) and release support (contributions towards P&A costs)

The development and promotion of innovated online distribution

- €1 million was awarded to support the Curzon Home Cinema VoD service.
- €345,763 was awarded to the day-and –date release of Matteo Garrone’s TALE OF TALES.

The programming of non-national European films in cinemas

- Four cinemas in the Curzon Cinemas chain are members of the Europa Cinemas network, receiving subsidy for programming films from other European countries. The cinemas in the chain that benefit are: Bloomsbury, Mayfair, Soho and Richmond.

THE PRODUCER: Number 9 Films

To date Number 9 Films have received a total of three Slate development awards through Creative Europe and the previous MEDIA sub-programme:

- €190,000 in 2009 to develop four projects including BYZANTIUM, MIDDLE OF SOMEWHERE, GREAT EXPECTATIONS.
- €190,000 in 2012 to develop four projects including CAROL and THE LIMEHOUSE GOLEM.
- €180,000 in 2015 to develop three projects including COLLETTE and MIDDLE OF SOMEWHERE.

Four of the of the 11 projects supported in development have made their way to production (a 36% conversion rate), with European distributors outside of the UK also receiving €494,277 to acquire and release GREAT EXPECTATIONS and BYZANTIUM for their territories.

THE INDEPENDENT BRITISH FILM: I, DANIEL BLAKE

Sixteen Films received funding to develop I, DANIEL BLAKE as part of their slate of projects that were awarded €172,828 of funding in 2015.

Distributors in 10 European countries used money they had generated through Creative Europe’s automatic distribution scheme to provide Minimum Guarantees for the film worth €94,886.

The film’s release in Europe was also supported, with distributors in 26 European countries receiving grants worth €863,700 to cover the film’s P&A costs in their countries.

The film went on win the Palme d’Or at the 2016 Cannes Film Festival and generated the highest number of admissions in the MEDIA-supported Europa Cinemas network in 2016 (964,900).