



**‘BUILDING OUR INDUSTRIAL STRATEGY’:  
RESPONSE TO HM GOVERNMENT GREEN PAPER**

**FROM  
THE BRITISH SCREEN ADVISORY COUNCIL (BSAC)**

**17 April 2017**

# Executive Summary

## *Introduction*

- BSAC strongly welcomes the inclusion within the Green Paper of the Creative Industries as one of the key sectors that is identified for a potential ‘sector deal’. This presents our sector with a vital opportunity, and it is incumbent on us to make the case powerfully for a sector deal.
- We are working closely with the Creative Industries Council (CIC) and other key bodies in the Creative Industries to ensure that our proposals are aligned and coherent.

## *Importance of the Creative Industries*

- 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.
- The audiovisual sector is an important and hugely successful part of the Creative Industries: for example, the UK is the world’s second most successful TV exporter, and a world-leading hub for visual effects (VFX) production, whilst the games sector comprises almost 2,000 firms.
- 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 and Sherlock Holmes – entertain audiences around the world. These and other brands showcase the UK’s creativity, innovation and unique sense of humour. They represent British values of liberalism, respect and tolerance, while the BBC and other British news organisations also promote openness and democratic values.
- Despite their success, the audiovisual and games sectors face challenges in competing globally, due to the unique economics of content creation and distribution. For high-end content in particular, it is a high-risk hit-based business, with a distinctive cost profile comprising high fixed production and marketing costs, the need to sell off rights in international and ancillary markets to finance production, and very low marginal costs. With most of these costs borne upfront, a portfolio approach is necessary to manage commercial risk, leading to the development of large companies able to access capital. This confers an overwhelming advantage to firms that benefit from large homogenous domestic markets, in which audiovisual companies can exploit economies of scale and scope.

- In this context, our sector still manages to punch above its weight. This success is driven by a vibrant and diverse ecosystem comprising a rich mix of public and private sector organisations, including a vibrant and successful independent production sector, and the benefits of scale provided by inward investment from overseas media companies.
- The rationales for public policy interventions in the audiovisual sector are: to nurture the talent that drives creativity; to support cultural value and soft power; to counteract the challenging economics of content production; and to create the right conditions to promote dynamism and competition.

***Response to consultation questions: key points***

Pillar	BSAC response
<b>Green Paper summary section</b>	<ul style="list-style-type: none"> <li>• The Green Paper identifies the right areas of focus. There may be useful international lessons to draw in some areas, for example, on migration policy (from Australia, Canada) and skills development (such as the RECA Network of French animation schools).</li> <li>• BSAC is developing public policy proposals in more detail in four key policy areas: copyright and enforcement; skills and migration; investment and funding; and market access. We will make further submissions in due course.</li> </ul>
<b>1. Investing in science, research and innovation</b>	<ul style="list-style-type: none"> <li>• Our sector is experiencing a period of intense innovation at the production, distribution and platform level, and through the development of new kinds of cross-industry hybrid services.</li> <li>• R&amp;D in the Creative Industries should be eligible for the Challenge Fund, which could be used, for example, to develop new IP production and distribution technologies. There are potentially huge opportunities to be realised through synergies between the Creative Industries and other sectors (for example, telemedicine), and there could be significant benefits from R&amp;D in applications that exploit synergies between them.</li> <li>• The current IPR regime underpins our success. The aim should be to preserve the current framework whilst also considering measures to improve enforcement, resisting arguments to weaken IPR protection (by, for example, adopting the US concept of ‘fair use’) and acting now to more forcefully oppose the current attack on territoriality in the EC’s Digital Single Market (DSM) proposals.</li> </ul>

	<ul style="list-style-type: none"> <li>• It is essential to maintain, replicate or improve the public support interventions that support investment in the UK Creative Industries, including tax credits, the Big Lottery Fund, PSB interventions and EU programmes (including Creative Europe and Horizon 2020, amongst others).</li> </ul>
<p><b>2. Developing skills</b></p>	<ul style="list-style-type: none"> <li>• Education and post-school training needs to offer a mix of creative, technical and business/financial skills. The Government should recognise the value that would be created by weaving creativity into curricula to complement young people’s STEM education.</li> <li>• Migration policies should not restrict access to talented people from overseas who are essential to support a successful sector. In the short- to medium-term, there will remain skills shortages as we wait for young people to graduate with the relevant skills. Over the longer term, there will remain a need to allow migration for people with creative talent or with expertise that derives from their not being British, for example their cultural capital, insights and understanding of cultural differences.</li> <li>• To address domestic skills shortages, work should begin now to scope out a broad-ranging review of the sector’s skills needs, and to assess the impact of new initiatives (for example, the Apprenticeship Levy, T-Levels) once they have been in place for 12 months.</li> <li>• In the audiovisual sector, the new Immigration Skills Charge brings no material benefit in terms of the stated policy goal and penalises companies seeking to grow in international markets, undermining key objectives of the Industrial Strategy.</li> <li>• We are concerned about the disproportionately high costs and delays associated with the existing visa system for non-EU workers. If a similar regime applies to EU workers, this would have a particularly damaging effect on the audiovisual sector given the fast-moving nature of projects once they are green-lit.</li> </ul>
<p><b>3. Upgrading infrastructure</b></p>	<ul style="list-style-type: none"> <li>• Studios should be treated as key infrastructure in order to further develop the UK's screen-based industries.</li> <li>• We would encourage a review of the planning system, which has inhibited development, and for bodies representing the Creative Industries to work more closely with Local Enterprise Partnerships (LEPs) to dovetail into their Strategic Economic Plans.</li> </ul>

<p><b>4: Supporting businesses to start and grow</b></p>	<ul style="list-style-type: none"> <li>• Tailored, targeted fiscal incentives in the Creative Industries have played a vital role in supporting investment in content, and in particular inward investment, in areas such as film and high-end TV. For example, every £1 of tax relief for film production generates £12 in GVA.</li> <li>• BSAC Working Groups will consider how the criteria for the Enterprise Investment Scheme and Seed Enterprise Investment Scheme could be adapted to be more effective for the Creative Industries.</li> </ul>
<p><b>6: Encouraging trade and inward investment</b></p>	<ul style="list-style-type: none"> <li>• The huge growth potential for the sector comes from increasing our market share around the world and attracting inward investment, boosted by the English language’s strong global presence.</li> <li>• While co-productions are vital to the Creative Industries, we do not believe that Government policy should focus above all else on co-production treaties. The most useful role the Government can play is to maximise its support for the Creative Industries through the Department for International Trade.</li> <li>• Substantial benefits currently flow to the UK as a result of the Country of Origin principle in the Audiovisual Services Media (AVMS) Directive, which has helped the UK develop into Europe’s leading broadcasting hub. Government should seek to maintain such access to EU markets for UK based channels.</li> <li>• UK audiovisual content that qualifies as ‘European Works’ contributes to the fulfilment of quotas and other requirements by any organisation that is subject to the AVMS Directive, supporting UK programme exports and underpinning investment in UK content from companies based in the UK and across the EU. We need to ensure that UK content continues to meet the requirements to qualify as ‘European Works’ post-Brexit, by remaining a signatory to the European Convention on Transfrontier Television</li> <li>• As well as considering the best way to measure the impact of Foreign Direct Investment, it is important that the Government recognises the positive value and impact of other forms of inward investment. In the creative sector, inward investment into film and TV production has delivered high levels of value in terms of direct expenditure and job creation on individual projects in the UK, while the policies that have attracted this project-based investment has ensured the right market conditions to enable</li> </ul>

	<p>longer-term investments in the UK's infrastructure. Looking forward, the overall objective should be to ensure that the total amount of inward investment is healthy and growing.</p>
<p><b>8: Cultivating world-leading sectors</b></p>	<ul style="list-style-type: none"> <li>• The Green Paper invites the Creative Industries to make proposals for a 'Sector Deal'. Work on this will be led by the Creative Industries Council (CIC). BSAC and other organisations will liaise with the CIC and coordinate with each other to ensure our submissions are coordinated and that we are speaking with one voice.</li> <li>• We support the Government's desire to promote competition and new entrants. The Creative Industries are characterised by open, competitive markets: barriers to entry are low for most forms of content, and there is healthy competition between older incumbents and new players for the creation of new programmes, formats, games, etc. The degree of openness has been transformed in recent years with the growth of the digital economy.</li> </ul>
<p><b>9: Driving growth across the whole country</b></p>	<ul style="list-style-type: none"> <li>• The Creative Industries' traditional focus on London and the south-east of England has begun to change in recent years, most notably with the development of broadcasting hubs in Salford (MediaCityUK), Cardiff, Glasgow and Northern Ireland, along with proactive engagement from local agencies such as Screen Yorkshire, Creative Scotland and Northern Ireland Screen.</li> <li>• There is scope to build on the clusters with the greatest growth potential, and targeted investment could help them achieve critical mass. Such an approach is preferable to policies that attempt to spread activity thinly around the UK.</li> <li>• At the same time, it is important not to undermine the economies of scale achieved in London, which enables the UK to compete effectively in global markets. 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.</li> </ul>
<p><b>10: Creating the right institutions to bring together sectors and places</b></p>	<ul style="list-style-type: none"> <li>• The Green Paper is right to highlight the value of local 'anchor' businesses, local financial institutions, local leadership institutions such as local authorities and Local Enterprise Partnerships, institutions such as universities and science parks that support innovation, and cultural or sporting institutions that act as a magnet for visitors and talent.</li> </ul>

## Introduction

1. 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 sector, including television, film, video games and digital media, including leading technology firms and ISPs<sup>1</sup>. 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.
2. BSAC welcomes the opportunity to respond to HM Government's consultation on its 'Building our Industrial Strategy' Green Paper.
3. 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 Green Paper of the Creative Industries as one of the key sectors that is identified for a potential 'sector deal'.
4. We recognise that the inclusion, for the first time, of the Creative Industries as a sector within the Government's industrial strategy, alongside other sectors in which governments have traditionally played an active role, was a bold move by the Government. The Green Paper presents our sector with a vital opportunity, and it is incumbent on us to make the case powerfully for a sector deal. We are confident that the case is compelling, and that the Government's support for the Creative Industries will repay itself many times over.
5. BSAC will make a number of contributions to the process that the Green Paper has initiated, alongside this consultation response. Over the coming weeks, we will be developing public policy proposals in more detail in four key policy areas: copyright and enforcement, skills and migration, investment and funding, and market access. These will inform further submissions, including to the Bazalgette Review, in due course.

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1 See a full list of BSAC's Membership, at <http://bsac.uk.com/membership-list.html>

6. In line with our membership, the scope of BSAC's work will focus predominantly on the audiovisual and interactive entertainment sectors that contribute so much to the Creative Industries. At the same time, we are working closely with other key bodies in the Creative Industries, such as the Creative Industries Council (CIC), to ensure that our proposals are aligned and form part of a coherent sector deal proposal covering the whole of the Creative Industries.
7. We understand that the CIC is working towards submitting its sector deal proposals in July, and BSAC is working to a similar timetable. In the meantime, this document provides an explanation of the importance of the Creative Industries, along with our response to the questions posed in the Green Paper.

### Importance of the Creative Industries

8. The UK's Creative Industries represent a global success story in both economic and cultural terms. This section provides indicators of this success, before going on to describe the distinctive structural features of the audiovisual sector that provide a rationale for public policy interventions. We highlight:
  - the Creative Industries' economic value;
  - the Creative Industries' cultural value and soft power;
  - the economics of audiovisual content;
  - distinctive structural features of the audiovisual sector; and
  - rationale for public policy interventions in the audiovisual sector.

#### *The Creative Industries' economic value*

9. The most recent DCMS statistics (for 2015 except where stated) highlight the size and growth of the sector<sup>2</sup>:
  - Gross Value Added (GVA) of the Creative Industries was **£87.4 billion**, accounting for **5.3%** of the UK economy;
  - the Creative Industries have grown **for each of the last five years** as a proportion of total UK GVA;

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2 See DCMS, 'DCMS Sectors Economic Estimates – Main Report and Employment Update' (August 2016), at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/544103/DCMS\\_Sectors\\_Economic\\_Estimates\\_-\\_August\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544103/DCMS_Sectors_Economic_Estimates_-_August_2016.pdf) and [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/546262/DCMS\\_Sectors\\_Economic\\_Estimates\\_-\\_Employment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546262/DCMS_Sectors_Economic_Estimates_-_Employment.pdf)



- the most recent year-on-year comparison (between 2014 and 2015) shows GVA for the Creative Industries increasing by **7.0%**, **more than treble the corresponding growth for the whole of the UK** (which was 2.3%);
  - the Creative Industries accounted for **1.9 million jobs**;
  - employment rose by **3.2%** between 2014 and 2015, compared to just 2.0% in the wider UK economy; and
  - the Creative Industries generated **£19.8 billion** of exports in 2014, **10.9%** up year-on-year. This accounted for **9.1%** of total UK exports of services.
10. The following statistics give a flavour of the economic value of individual parts of the audiovisual and games sectors:
- the UK is the **world's second most successful exporter of TV content** (behind the USA)<sup>3</sup>. Total revenues from TV exports are worth over **£1.3 billion** per year, with significant recent growth to countries such as China and India<sup>4</sup>. Global hits include *Dr Who*, *Downton Abbey*, *Sherlock*, *War and Peace* and *The Crown*;
  - the UK film sector had a turnover of **£4.1 billion** in 2015, making it the third largest film market in the world after the USA and China<sup>5</sup>;
  - the UK is Europe's leading international broadcasting hub, home to more channels than any other EU country by a wide margin (1,400 channels compared to our nearest rival, France, with just over 400 channels). More than half of these UK-based channels are international, broadcasting not to the UK but to EU markets;
  - the UK is a world-leading hub for visual effects (VFX) production: it houses four of the world's largest VFX companies, whilst the overall facilities sector has an annual turnover in excess of **£2 billion** and employs more than **25,000 people**<sup>6</sup>;

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

4 See Pact, 'Impressive growth in UK television exports, up 10% to £1,326m' (3 February 2017), in respect of sales to international markets in 2015/16, at <http://www.pact.co.uk/news-detail.html?id=impressive-growth-in-uk-television-exports-up-10-to-1-326m>

5 See BFI Research and Statistics, 'The UK Film Market as a Whole' (August 2016), at <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-statistical-yearbook-uk-film-market-2015-2016-08-25.pdf>

6 Source: UK Screen, 'The UK Facilities Sector: a key contributor to the film and television industries and to the UK's creative economy' (March 2010) – <https://web.archive.org/web/20120119110832/http://www.ukscreenassociation.co.uk/news/articles.htm?aId=2558>

- the UK games sector is a global success story. Today there are almost **2,000 games firms** – including the creator of *Grand Theft Auto V*, the best-selling entertainment product of all time – employing **24,000 people** across 12 established games clusters<sup>7</sup>; and
- there is a strong export component for emerging talent in digital media: for UK YouTube creators, 78% of viewership comes from outside of their home country<sup>8</sup>.

### *The Creative Industries’ cultural value and soft power*

11. Alongside their contribution to the economy, audiovisual content also plays a vital role in providing cultural and social value both at home and abroad. In the UK, this motivates a range of interventions, for example, to support public service broadcasting (PSB, see below). Such interventions in the audiovisual sector have a significant impact, as TV, films and video games account for a large proportion of the leisure time of individuals of all ages, even in the age of digital and social media. Mass media such as TV and film play an important social role in bringing people together for shared experiences. Television news is highly trusted, and regarded by viewers as being more impartial than any other form of media. And at a time when many people are retreating into individual ‘filter bubbles’<sup>9</sup>, TV in particular plays a vital role in showing different perspectives, challenging people’s viewpoints, and portraying different cultures and lifestyles.
12. This cultural value is just as important in overseas markets, as a driver of ‘soft power’ – that is, the ability of countries to shape the preferences of others, in a non-coercive manner, through their appeal and attraction. A country’s soft power is generally regarded as being based on three components: Culture; Political Values; and Foreign Policies<sup>10</sup>. The Creative Industries play a pivotal role in driving the cultural component of the UK’s soft power.

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7 See NESTA, ‘A Map of the UK Games Industry’ (September 2014), at [http://www.nesta.org.uk/sites/default/files/map\\_uk\\_games\\_industry\\_wv.pdf](http://www.nesta.org.uk/sites/default/files/map_uk_games_industry_wv.pdf)

8 Source: Data provided by Google.

9 This occurs when people select news sources and friendship groups based on similarity of viewpoints, and is reinforced by online digital and social media services that seek to match users with like-minded people and news content, reducing the visibility of alternative points of view.

10 The concept of ‘soft power’ was devised by Joseph Nye (Harvard University) in the late 1980s.

13. This soft power is propagated in part by the consumption by citizens around the world of British TV programmes and films starring much-loved characters or based on iconic British texts (including James Bond, Harry Potter or Sherlock Holmes). Media brands can also provide soft power: of the UK's media organisations; the BBC above all has a brand that is recognised and admired globally. Examples of the impact of the UK's soft power include:
- The BBC's recent *Sherlock* TV series is a phenomenon in China, reaching around 100 million fans. Nearly 2 million people turned out to see the recent New Year's special on the day it opened in Chinese cinemas, registering higher attendance figures than the new *Star Wars* film<sup>11</sup>;
  - As an illustration of the more tangible benefits of soft power, in terms of attracting tourism, VisitBritain launched a 'Bond is GREAT' campaign to coincide with release of *SPECTRE* in 2015, with promotions across more than 60 countries encouraging 007 fans to choose Britain for their next holiday<sup>12</sup>;
  - British dramas have admirers at the highest levels of global politics. German Chancellor Angela Merkel is a big fan of *Midsomer Murders*: according to a Downing Street spokesman, she was upset when there was no time for a planned meeting with its star, John Nettles, when she visited the Prime Minister in 2011<sup>13</sup>. Michelle Obama was such a diehard fan of *Downton Abbey* that she requested advance copies of the third season, and hosted the cast at the White House<sup>14</sup>; and
  - The BBC World Service is the world's most trusted international broadcaster, with a reach of 308 million people. In a Chatham House/YouGov survey, 68% of Opinion Formers chose the BBC as the asset that does 'most to serve Britain's national interests round the world', 30 percentage points ahead of the Diplomatic Service<sup>15</sup>.

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11 See Radio Times, 'Sherlock outsells Star Wars four to one at the box office' (14 January 2016), at <http://www.radiotimes.com/news/2016-01-14/sherlock-outsells-star-wars-four-to-one-at-the-box-office>

12 See, VisitBritain, 'Bond is Back' (6 October 2015), at [http://media.visitbritain.com/?service=feature&action=show\\_content\\_page&language=en&feature=11389](http://media.visitbritain.com/?service=feature&action=show_content_page&language=en&feature=11389)

13 See The Telegraph, 'Midsomer Murders star John Nettles holds key to relations between David Cameron and Angela Merkel' (3 June 2011), at <http://www.telegraph.co.uk/culture/tvandradio/8553129/Midsomer-Murders-star-John-Nettles-holds-key-to-relations-between-David-Cameron-and-Angela-Merkel.html>

14 See Vanity Fair, 'Downton Abbey Super-fan Michelle Obama Hosted the Cast at the White House' (27 September 2013), at <http://www.vanityfair.com/hollywood/2013/09/downton-abbey-michelle-obama>

15 See Chatham House, 'Internationalism or Isolationism? The Chatham House–YouGov Survey' (30 January 2015), at <https://www.chathamhouse.org/publication/internationalism-or-isolationism-chatham-house-yougov-survey>

14. At the same time as entertaining audiences around the world, these brands showcase the UK's creativity, innovation and unique sense of humour. More than that, they represent British values of liberalism, respect and tolerance, while the BBC and other British news organisations also promote openness and democratic values.
15. The examples above give an indication of the different ways in which the Creative Industries contribute to the UK's soft power. The UK was ranked in second place in the 2016 'Soft Power 30' report (a global ranking of soft power), behind only the US<sup>16</sup>. Having ranked in top place in the past, we believe it should be an ambition for the UK to enhance its soft power further to reclaim the top place. The Creative Industries can play a vital role in helping to achieve that.

### *The economics of audiovisual content*

16. Despite their success, the audiovisual and games sectors 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 the cost structures relating to high-end content.
17. **Risks.** The creativity inherent in the sector implies high levels of risk and uncertainty for content businesses. The investment needed to generate new content makes this a high-risk hit-based business, in which a small number of successes generate the profits that offset the losses from the remainder of the portfolio. Notwithstanding the efforts of digital media players, such as Netflix, to use algorithms to better understanding viewing behaviour<sup>17</sup>, it remains extremely difficult to predict with any accuracy what blend of creative talent will reliably produce a hit TV programme, film, video game, etc., while new hits have time and again emerged from unexpected or leftfield sources.

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16 See Portland Communications, 'The Soft Power 30' (June 2016), at [https://softpower30.portland-communications.com/wp-content/themes/softpower/pdfs/the\\_soft\\_power\\_30.pdf](https://softpower30.portland-communications.com/wp-content/themes/softpower/pdfs/the_soft_power_30.pdf)

17 See, for example, Wired, 'The science behind the Netflix algorithms that decide what you'll want to watch next' (8 July 2013), at [https://www.wired.com/2013/08/qq\\_netflix-algorithm/](https://www.wired.com/2013/08/qq_netflix-algorithm/)

18. **Costs.** Audiovisual content has a distinctive cost profile, especially for feature films, high-end TV drama and video games. These audiovisual markets are characterised by the following costs structures (to differing degrees – cost and distribution models vary for different kinds of audiovisual products):
- **extremely high fixed production costs** for individual products compared to typical economic markets;
  - **substantial marketing expenditure** needed to accompany the release of new products, which tend to have a short life cycle in the primary window;
  - **value of secondary revenue streams** from international and ancillary markets (such as DVD and online sales), the rights to which need to be sold to finance production (this can be especially valuable for indie or specialist content, which can aggregate niche audiences in multiple territories or across windows); and
  - **very low marginal costs of production and distribution** – and rapidly falling towards zero with new digital technologies.
19. This cost profile means that the bulk of the costs associated with production, including distribution and marketing costs, must mostly be borne upfront, ahead of release and before any consumer revenues may be earned. As in other sectors that exhibit similar cost and risk profiles (such as pharmaceuticals), a portfolio approach for content creation businesses is necessary to manage commercial risk. These high capital costs lead to the development of large companies able to access capital.
20. This confers an overwhelming advantage to firms that benefit from large homogenous domestic markets, in which audiovisual companies can exploit economies of scale and scope. Such economies of scale and scope enable companies in audiovisual and digital media sectors to access capital, diversify risk and manage exchange rate fluctuations. This would apply, for example, to the United States, with a population of 300 million people, five times more than that in the UK; and to fast-growing markets such as China and India (both with populations in excess of 1 billion) that are playing an ever-bigger role in audiovisual markets. It is worth noting that the EU, while it has a population of over 500 million people, is far from a homogenous market, and so does not offer the same beneficial economic conditions to audiovisual firms operating around Europe.

## *Distinctive structural features of the audiovisual sector*

21. In the context of the economic challenges that UK companies face (operating in markets with competitors based in larger markets that are better able to exploit economies of scale), the UK audiovisual and games sectors still manage to punch above their weight. This success is driven by a vibrant and diverse ecosystem comprising both public and private sector organisations, large and small in size, and domestic and international in origin.
22. **Public/private mix.** Compared to other countries, the UK has an especially rich mixture of public and private companies with different objectives and business models, and complementary income sources, competition between which helps to grow the overall sector and drive innovation. In the broadcasting sector, for example, private organisations, such as ITV and Sky, compete for audiences with publicly-owned institutions such as the BBC and Channel 4. This competition leads to a ‘race to the top’, raising standards of quality as the broadcasters compete for audiences across a range of genres<sup>18</sup>. More generally, public support in the audiovisual sector is characterised by a mixture of institutions (including from BBC, BFI, regional screen agencies) and other public interventions (such as the licence fee, quotas to support independent and regional production, and fiscal incentives for certain types of content).
23. **Indigenous indie sector.** Alongside the biggest broadcasters and international film studios, the UK boasts one of the most vibrant and successful independent production sectors in the world. This is responsible for creating some of the most popular and innovative British TV programmes, films and video games in domestic markets, and for generating substantial export revenues from overseas sales of finished content and TV formats. Again, this success may be attributed to enlightened public interventions, most notably in the TV sector, with the terms of trade, Channel 4’s role as a publisher-broadcaster required to source all content externally, and independent production quotas for all public service broadcasters.

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<sup>18</sup> See BBC, ‘The Race to the Top’ (December 2013), at [http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc\\_report\\_public\\_and\\_private\\_broadcasting\\_across\\_the\\_world.pdf](http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_report_public_and_private_broadcasting_across_the_world.pdf)

24. **Inward investment.** Alongside the success of the UK's indigenous production companies, our audiovisual sector also benefits hugely from the integral role played by global media companies operating here, especially the US majors. Overseas media companies invest in the UK across the audiovisual sector (including film, TV, video games and digital media) in order to benefit from the high quality of our skills and infrastructure. 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 investment from companies in the UK and around the world.
25. This can lead to a virtuous circle: for example, over the last decade or so, inward investment from US majors shooting films such as the Harry Potter series in the UK created a stream of work that helped VFX companies to grow their scale and ambition, catalysing the development of a world-class sector that now generates hundreds of millions of pounds of revenues annually.
26. In summary, the competitive tensions between the diverse range of companies operating in the UK's audiovisual sector – big vs small; public vs private; domestic vs international – result in a dynamic and diverse mix of companies, pushing all parts of the sector to new creative heights.

#### *Rationale for public policy interventions in the audiovisual sector*

27. Bringing together the various themes discussed above, this section summarises the rationales for public policy interventions in the audiovisual sector:
  - to nurture the talent that drives creativity;
  - to support cultural value and soft power;
  - to counteract the challenging economics of content production; and
  - to create the right conditions to promote dynamism and competition across the sector.
28. **Talent.** A key reason for the success of the audiovisual and games sectors is that the UK is endowed with unusually high levels of creative talent – the people who develop new ideas, produce and star in the resulting creative content. For centuries past, the UK has produced a disproportionately large number of great writers and poets. In the twentieth and twenty-first centuries, our creative talent has also manifested itself in audiovisual media such as TV, film and video games.

29. The role of our industry is to nurture this talent and provide the infrastructure to help talented people realise their creative ambitions. This also involves actively seeking new generations of talent and providing appropriate training, in order to replenish and refresh the talent pool working in the audiovisual industries and ensure the continued success of our sector. Especially given the freelance, project-based nature of many parts of this sector, public policy interventions have a vital role to play here.
30. **Cultural value and soft power.** In all sectors, public policy interventions aim to address what economists call ‘market failures’, i.e. instances in which the market does not deliver efficient outcomes by itself. For audiovisual content, the key market failure argument<sup>19</sup> is that markets do not take into account positive externalities, such as the social and cultural value that results from the production and circulation of audiovisual content. This means that, absent intervention, markets will tend to produce sub-optimal levels of output of audiovisual content. Public interventions can stimulate output towards more optimal levels.
31. **Economics of content production.** Public interventions can act as a counterbalance to the inherent asymmetry between the sizes of the audiovisual markets in the UK and the largest global markets (such as the US, China and India), and the resulting competitive disadvantages faced by companies in the UK. Support for the audiovisual sector can create a virtuous circle between levels of investment in high-quality content production, audience demand for this content, and the revenues that underpin further investment, helping our sector to achieve greater scale than would be achieved absent intervention.
32. **Conditions to foster dynamism and growth.** The range of public interventions described above (including public institutions, funding sources and fiscal incentives, amongst others) are directly responsible for funding world-class content and also for creating the conditions to foster a dynamic and competitive private sector, boosting content creation further. As such, they help to create the conditions for success across the audiovisual sector.
33. For these various reasons, public policy interventions are essential preconditions to enable the UK industry to build on its competitive advantages to achieve even greater growth and exports in a sector which is likely to see massive global growth, both in the short term and over the longer term as emerging economies mature. This is, we believe, a key reason why the Creative Industries were included in the Green Paper as one of the sectors at is identified for a potential ‘sector deal’.

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19 As argued, for example, by Ofcom, at [https://www.ofcom.org.uk/data/assets/pdf\\_file/0022/32665/annex11.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0022/32665/annex11.pdf)



34. The development of a sector deal is especially important at this time, given that we are operating in an increasingly competitive global environment, and in a more complex media landscape. We need to be able to compete effectively not only against competitors that enjoy the benefits of much larger domestic markets, but also against new challengers, such as Dubai and Singapore, which are investing heavily to attract new talent and develop their own creative industry hubs. At the same time, traditional forms of media such as film and TV need to be able to respond effectively to the rapid growth of digital and social media, which are playing an ever-bigger part in people's lives, especially young people. Without a set of public policy interventions that is fit-for-purpose and future-facing, there is a risk that our sector will fail to reach its full potential, to the detriment of everyone in the UK.
  
35. If we get it right, the prize is an Industrial Strategy that serves to multiply the UK's competitive advantage in 'creativity' itself, bolstered by the global importance of the English language. This would ensure that the Creative Industries continue to generate billions of pounds of revenues domestically and around the world, along with all the economic, cultural and soft power value that will result.

## Response to consultation questions

36. The remainder of this document addresses the specific questions posed in the Green Paper. We have limited our response to those questions we believe to be of most relevance to the audiovisual sector.
37. Our responses are guided by our view that a new sector deal for the Creative Industries would act as a catalyst to boost investment, growth, employment and exports in the years ahead:
- At the heart of an Industrial Strategy for the Creative Industries must be policies and initiatives to nurture and attract creative talent. The ‘Developing skills’ pillar in the industrial strategy addresses this directly and the UK’s post-Brexit migration policy will also have a significant impact upon this; and
  - Policies and initiatives that flow from the other pillars of the Industrial Strategy – such as business development, regional growth, creation of institutions, etc. – will help us to develop our world-class infrastructure and ensure our businesses are even more outward-looking and globally-oriented.
38. It is worth noting a number of features that differentiate audiovisual companies from those in other sectors, which will need to be taken into account when developing a sector deal for the Creative Industries. These features inform our answers to some of the questions below:
- i. The critical importance of Intellectual Property Rights (‘IPR’) and their effective enforcement in the UK and in countries with which we trade.
  - ii. Funding models for content based on expected sales and pre-sales in individual territories – the IP model is integral to this (and must be defended in ongoing debates in the EU, for example).
  - iii. The scope to increase the value of content in different territories through localisation (including formats, re-versioning and marketing), given that the cultural nature of audiovisual products means that it has different value in different territories.
  - iv. The need to consider pre-sales to distributors as part of the financing and exploitation of IP.
  - v. The mix of skills needed that includes access to world class talent and to people who bring cultural capital, insights and understanding of cultural differences from outside the UK.

- vi. The value of key global talent when selling content to overseas markets. A US star can help make a TV programme or film more appealing to US audiences, while we are increasingly seeing major global stars (local or Western) that are especially popular in China being cast with a view on Chinese audiences. The key point is that this is not a skills or talent issue, but a cultural one, and it is important that migration policies do not undermine this.

### ***Summary section***

*Q1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?*

39. We agree that the document identifies the right areas of focus. We would also note that a sector deal for the Creative Industries, as well as providing economic benefits, would provide additional benefits in the form of cultural value to UK citizens and the projection of soft power as UK-originated content is consumed around the world (see previous section).

*Q2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?*

40. We agree with the 10 pillars identified in the Green Paper. Some of the pillars are more applicable to the Creative Industries than others, and we respond to the consultation questions that are of most relevance below.

*Q4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?*

41. We believe there may be useful lessons that could be drawn in some areas, for example, on migration policy (from Australia, Canada) and skills development (such as the RECA Network of French animation schools). We will discuss these further in our subsequent contributions to the sector deal proposals for the Creative Industries, including our submission to the Bazalgette Review.

*Pillar 1: Investing in science, research and innovation*

42. The Green Paper states: *‘For an advanced economy, the path to competitiveness is not to copy what others are doing. It is to do things that others cannot do, or to do things in different and better ways.’* We strongly support this statement: as a rule, the UK should play to its strengths. As we argued in the first section of this document, the high levels of innate creative talent in the UK means that the Creative Industries are one of the UK’s strengths and drivers of growth. The Government’s recognition of the Creative Industries as a key sector is timely and welcome.
43. The media landscape is changing dramatically, and our sector is experiencing a period of intense innovation, with a variety of technology trends that are transforming our sector:
- at the production level, in terms of entirely new kinds of content experiences and formats. For example, Virtual Reality, Augmented Reality, variable-length drama;
  - at the distribution level, such as the development of on-demand viewing;
  - at the platform level, particularly the rapid growth of digital and social media services; and
  - through the development of new kinds of cross-industry hybrid services (including, for example, telemedicine).
44. For established media such as TV, film and video games, standing still is not an option for us. These media are all evolving to take advantage of new technologies, and adapting to co-exist with new forms of content production and distribution in an ever more complex media mix.
45. The Green Paper notes that the UK has traditionally been better at basic research than it has been at commercialising new developments, highlighting as a concern the low level of UK R&D funding as a percentage of GDP. We share this concern: indeed, in the Creative Industries, it has been argued that we have fallen behind in the digital media space.

*Q6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?*

46. The Green Paper states that the Industrial Strategy Challenge Fund, drawing on the experience of the US Defense Advanced Research Projects Agency (DARPA) programme, will *'help Britain capitalise on its strengths in research and innovation such as robotics, clean energy and biotechnology'*, creating a new funding stream to *'back technologies at all stages where the UK has the potential to take an industrial lead, from early research to commercialisation.'*
47. We agree that the Industrial Strategy Challenge Fund should focus on new disruptive areas with a potentially large global market. Given the intense innovation in our sector, we believe that R&D in the Creative Industries should be eligible for the Challenge Fund, which could be used, for example, to develop new IP production and distribution technologies.
48. Of the examples proposed in the Green Paper, from the perspective of the Creative Industries we agree that the challenge areas should include robotics and artificial intelligence (AI) and leading-edge healthcare and medicine.
49. We believe there to be potentially huge opportunities to be realised through synergies between the Creative Industries and other sectors, and there could be significant benefits from R&D in applications that exploit synergies between the Creative Industries and other sectors (which might include VR apps for medical schools or pilot training). The UK's strengths in the Creative Industries, married to those in other sectors, could lead to the development of world-beating services, helping the UK to become a global leader in these new areas. Alongside the Challenge Fund, there is a role for the Government to play here in facilitating dialogue between sectors that have not traditionally talked to each other.

*Q7. What else can the UK do to create an environment that supports the commercialisation of ideas?*

50. We welcome measures set out in the Green Paper that seek to strengthen the role of science and innovation in our economy, in particular the strengthening of support for universities to help them to commercialise their research ideas and the commitment to ensure the UK attracts top international talent.

51. On the latter point, the Green Paper notes that: ‘*Researchers have shown that the presence of academic “stars” acts to pull in other researchers and private businesses*’. We would argue that this same principle also applies to the Creative Industries. In the audiovisual sector, this is particularly relevant to areas such as post-production and VFX. In order to be able to commercialise their ideas, it is vitally important for companies operating in these areas to have access to the best talent, and to people with the necessary cultural capital and cultural understanding of target markets.
52. Creative ideas lie at the heart of the cultural products and services that are produced by the Creative Industries. A robust framework for copyright and the enforcement of Intellectual Property Rights (IPR) is a necessary condition to enable these ideas to be turned into products and then sold in the UK and around the world. As with other sectors that rely on intellectual property – such as pharmaceuticals – the current IPR regime in the UK is one of the institutional strengths that underpins our success. Having been reviewed extensively in recent years, the current regime works well, striking a good balance between the needs of all stakeholders, including the audiovisual and technology sectors. The aim in this area is to preserve the current framework but strengthen enforcement. Specifically, the Government should:
- **consider measures to improve enforcement.** Updating offences in copyright law to ensure that they clearly apply to those who knowingly facilitate access to illegal streams of audiovisual content, whether this is by supplying devices pre-loaded with illegal apps that do this or by knowingly supplying illegal apps for loading by consumers, is a priority. Ensuring that the framework for enforcement of IPR works well in all other respects is also important, and the UK could be proactive in exploring improvements with stakeholders, especially given the current delays in this area in the EU;

- **resist arguments to weaken IPR protection by, for example, adopting the US concept of ‘fair use’.** The UK tradition of a number of specific copyright exceptions with reasonably clear limits should be maintained, rather than adopt a change to the US concept of ‘fair use’, which does not provide certainty about what can be done and benefits most those who are able to fight any challenges in the courts. ‘Fair use’ would, moreover, only transfer value from one sector to another without resulting in any overall net gain to the UK economy, and could possibly lead to a net loss given the degree of harm that could result in the Creative Industries; and
- **act now to more forcefully oppose the current attack on territoriality in the EC’s Digital Single Market (DSM) proposals.** It is essential for audiovisual companies in the UK, and indeed across the EU, to retain their ability to strike territorial deals in the future, especially in sectors such as film where content is typically financed against sales in individual territories. As any UK producers or distributors who wish to exploit their content across Europe will be affected by the DSM proposals, this will remain an important issue for the UK even after Brexit. Therefore, during its remaining time in the EU, we would urge the UK Government to work with key allies such as the French to challenge these Digital Single Market proposals.

*Q8. How can we best support the next generation of research leaders and entrepreneurs?*

53. This is a highly pertinent question for the Creative Industries, given the economic characteristics of the sector (as set out in the first section of this document). For audiovisual companies, the hit-based nature of the sector means entrepreneurs need space to fail, and to develop companies that are able to compete at scale against those with large homogenous home markets.
54. As we explain below, success in the Creative Industries in the years ahead will rely on a combination of creative and technical skills. It is vital that our education system and post-school training programmes encourage both, and do not create silos that prevent technical people from developing their creative skills and vice versa.

55. Allied to these is the need for people in the sector also to have business and financial skills, especially given the challenges of financing high-end content, selling right across multiple windows and territories, and managing audiovisual portfolios to spread risk. So the next generation of leaders and entrepreneurs will need a combination of technical, creative and business/financial skills. This is a relatively rare combination, and those companies led by people who tick all three boxes will be well-placed to succeed on the global stage. We would point to the NFTS's MA in Creative Business for Entrepreneurs and Executives as an exemplar in this area<sup>20</sup>.
56. It is also essential to maintain, replicate or improve the wide range of public support measures and interventions that support investment in the UK Creative Industries, including tax credits, the Big Lottery Fund, PSB interventions and EU programmes such as Creative Europe and Horizon 2020.
57. For the EU programmes, in the context of Brexit, the challenge will be to secure 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.
58. To give one example of international cooperation, the Horizon 2020 programme supports investment in research and innovation projects across various economic sectors, and currently provides significant benefits to the UK, both in terms of access to funding (the UK is one of the largest recipients of research funding in the EU) and through collaboration with European organisations (work in cross-border consortiums is hardwired into EU projects). For the Creative Industries, this multi-territory collaboration is as useful as the amount of funding provided, as many audio and video platforms are based on standards that apply across the EU, and so R&D programmes need to be tested across a range of markets. Thus, BBC R&D is working with a consortium of 10 European partners to design a new IP-based system for producing and distributing audio, enabling industry to adapt to the different ways that audiences listen to content today<sup>21</sup>. Post-Brexit, it is vitally important to retain access to Horizon 2020 and future international R&D programmes of the same scale and ambition that provide value to the UK; and to recognise that the value of these programmes cannot be calculated purely by calculating the amounts of funds contributed and received in grants.

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20 See details about the course on the NFTS website, at <https://nfts.co.uk/our-courses/masters/creative-business-entrepreneurs-executives>

21 For further details about the ORPHEUS project, see the BBC's website, at <http://www.bbc.co.uk/rd/projects/orpheus>.



## *Pillar 2: Developing skills*

59. In the area of skills and education, the Green Paper states that we: *‘must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.’*
60. From the perspective of the audiovisual sector, BSAC shares the concerns identified in the Green Paper: shortfalls in basic skills, a shortage of high-skilled technicians below graduate level, shortages in sectors that are dependent on STEM skills, and the need to embrace lifelong learning.
61. Of particular relevance to the Creative Industries are the concerns about:
- skills shortages in certain sectors *‘which force some employers to look overseas to fill certain vacancies’* – this is particularly relevant to sectors such as post-production, VFX and gaming; and
  - the need *‘to do more to empower students, parents and employers to make confident and informed choices about their education and careers options’* – we believe that a career in the Creative Industries should be seen as an attractive and rewarding career path.
62. As we argued above, a combination of technical, business and creative skills are needed by companies to be able to compete effectively in the Creative Industries. We therefore welcome the renewed emphasis on STEM in curricula, which provides a good starting point to ensure the next generation of children emerge from the education sector with relevant skills.
63. We would, however, urge the Government to recognise the additional value that would be created by weaving creativity into curricula to complement young people’s STEM education. Providing space to nurture creativity, linked to STEM outputs, would be of broad value to future generations, and would help to prepare people for jobs in the Creative Industries. This would support the success of our sector and would also help us to achieve synergies with other sectors (such as the use of VR in health). We also note that the Creative Industries in general, and the audiovisual sector in particular, can play a vital role in adding value to the output of other sectors, whether through design, marketing or promotion.

64. Given the Government's desire to reduce the UK's reliance on workers from overseas, an approach that builds on both STEM and creative skills would be a long-sighted policy that would help serve its industrial and migration policies. More generally, the Government's policies to support skills development need to be developed within a broader framework that takes into account the interplay between skills, talent and culture that together makes us a world-class sector. The broader framework needs to include *inter alia* migration policies that do not restrict access to talented people from overseas who are essential to support a successful sector.
65. In the short- to medium-term, there will remain skills shortages in the domestic labour market in some areas as we will need to wait for the next generations of young people to graduate with the relevant skills, and it will be necessary to fill skills shortages in the meantime. Over the longer term, there will always remain a need to allow migration for people with expertise that cannot be replicated by UK workers precisely because their experience derives from not being British, for example their cultural capital, insights and understanding of cultural differences – all of which are essential requirements in the Creative Industries. The presence of people from diverse cultural and regional backgrounds also helps to develop the skills and knowledge base of indigenous staff, who are then better placed to help the companies to succeed internationally.

*Q11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?*

*Q12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?*

*Q13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?*

*Q14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?*

66. BSAC is developing proposals for the sector deal proposal and as part of that will feed into the Bazalgette review of the Creative Industries. One of the key areas of focus for BSAC is growing the talent pipeline. While we will respond fully to the issues raised by these questions in due course, we would like to raise a number of initial concerns.

67. First, there are a significant number of skills gaps in our sector that will need to be addressed urgently. We understand that a report by the Work Foundation that is shortly to be published identifies 36 shortage areas as a priority for 2017-22. The BFI has committed to *‘launching, with Creative Skillset, a new ten-year skills framework with recommendations that tackle the double imperative of diversity and future skills needs. In the case of skills, social mobility will be of paramount importance’*<sup>22</sup>. Given these skills gaps and the opportunities and challenges post-Brexit, we believe that there is a need for a rapid response to plug these gaps. The skills strategy should take account of the geographical location of current and future skills needs.
68. Second, given these skills shortages, and the proposed T-Level qualification recently announced by the Chancellor of the Exchequer, the new Apprenticeship Levy provides an important opportunity for the Creative Industries. However, Creative Skillset (working with industry representatives) has identified a number of concerns relating to the implementation of the new Levy. These include their applicability in a sector characterised by project-based work with a significant freelance workforce (apprenticeships cannot be used for projects that last less than a year), the need for clear processes to set standards for delivery, the desirability of recognising the high degree of STEM skills needed in engineering and software development roles in the Creative Industries (which would attract higher funding), and the impact on the current voluntary training levy (which could be undermined by the Levy). These elements might prevent the Apprenticeship Levy from being fully effective in the Creative Industries, and could moreover lead to detrimental unintended consequences for the sector.
69. We therefore believe it is important to begin work now to scope out a broad ranging review of the skills needs of the Creative Industries, and to assess the impact of new initiatives such as the Apprenticeship Levy and the T-Levels. We would suggest that such a review should take place 12 months after the Apprenticeship Levy’s launch.

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22 See BFI, ‘2022: Supporting the Future of British Film – Introduction’ (February 2017), at <http://www.bfi.org.uk/2022/introduction.html>

70. Third, the new Immigration Skills Charge, of £1,000 per employee per year, was introduced by the Government to cut down on the number of businesses taking on migrant workers and incentivise the training of British staff to fill those jobs. For the reasons outlined above, companies in the Creative Industries often hire overseas talent to gain expertise that it is not possible for UK staff to have, such as understanding of the local culture and market in a target export market. In such instances, this charge brings no material benefit in terms of the stated policy goal and simply serves to penalise companies seeking to grow in international markets, undermining key objectives of the Industrial Strategy.
71. As we have noted above (in paragraphs 38 and 65), a multicultural and multilingual workforce is an inherent part of a global trading nation open to the world. In this context, we are concerned about the disproportionately high costs and delays associated with the existing visa system for non-EU workers. Moreover, perceptions of the costs and logistical complexities of the visa system might disincentivise talent from seeking to work in the UK. These effects would have a particularly damaging effect on the audiovisual sector given the fast-moving nature of projects once they are green-lit: films and TV programmes need to move forward quickly to deal with location shooting schedules, availability of stars, etc. This is not a marginal concern: of the £1.6 billion spent on film production in 2015, £1.2 billion was inward investment, which is highly mobile.

### *Pillar 3: Upgrading infrastructure*

72. The Green Paper highlights the importance of focusing on improving our infrastructure services, adding that national weaknesses are felt more acutely in certain areas of the country, exacerbating regional disparities. It points to a historic lack of clear long-term thinking in previous governments' approach to a joined-up national infrastructure strategy, which has contributed to the disjointed provision of infrastructure and a legacy of underinvestment.
73. Growth in the Creative Industries has stimulated substantial private capital investment in recent years. According to a 2015 report commissioned by the BFI, 'Economic Contribution of the UK's Film, High-End TV, Video Game, and Animation Programming Sectors', *'The UK film sector also continues to be a strong source of capital investment for the UK, with more than £425 million invested by companies in their infrastructure since 2007 across the UK'*<sup>23</sup>.

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23 See BFI, 'UK Screen Content Generates over £6 Billion for the UK Economy' (24 February 2015), at <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-press-release-uk-screen-content-generates-over-6-billion-for-uk-economy-2015-02-24.pdf>

74. We believe that, given the importance of the Creative Industries to the UK economy, studios should be treated as key infrastructure in order to further develop the UK's screen-based industries. The House of Commons Culture Media and Sport Select Committee made such a recommendation in its report, 'Supporting the creative economy'<sup>24</sup>. The Government Response to the Committee's Third Report of Session 2013-14 agreed with the Select Committee's recommendation<sup>25</sup>:

*'More widely, we share the Select Committee's view that the planning system should adequately recognise the significance of creative industry infrastructure and we share the view, communicated by a number of people within the film and TV industry that a lack of studio space could result in the loss of international inward investment. Many studios and production facilities in the UK are operating at close to capacity. Given growing global demand and finite capacity, an expansion of those facilities - or the creation of new facilities - is essential to enable any new demand to be met within the UK rather than overseas, with all the economic benefits that entails in terms of exports, investments and job creation.'*

75. A recent report from Creative England to the British Film Commission Advisory Board reaffirmed that studio capacity continues to be an issue.

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24 See CMS Select Committee, 'Supporting the Creative Economy' (11 September 2013), at <http://www.parliament.uk/business/committees/committees-a-z/commons-select/culture-media-and-sport-committee/news/130923-creative-economy-report/>

25 See 'Government response to the CMS Select Committee report, Supporting the Creative Economy', at <https://www.publications.parliament.uk/pa/cm201314/cmselect/cmcomeds/945/94504.htm>

*Q15. Are there further actions we could take to support private investment in infrastructure?*

*Q16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?*

*Q17. What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?*

76. We would encourage a review of the planning system, which has inhibited development. For example, it took seven years to get planning permission to extend Pinewood Studios. This impedes international competitiveness: within that time, new studios with 67 stages were developed in New Zealand, China, Hungary, New Zealand and the US States of Georgia and Louisiana. All local authorities should have a Local Plan in place which reflects the Government's commercial, environmental and housing aspirations, and should pay due regard to representations made by any studios in their district.
77. Bodies representing the Creative Industries should work more closely with Local Enterprise Partnerships (LEPs) to dovetail into their Strategic Economic Plans. This would help to avoid costly duplication and to leverage additional resources, such as the benefits of Enterprise Zones and the fruits of the BFI's 2022 Strategy, 'Supporting the future of UK film', which proposes to create clusters. The BFI states: '*We plan to support further the other emerging centres that have the commitment, leadership and ambition to develop into creative screen clusters of international influence*'<sup>26</sup>.
78. We would also encourage the Government to bear in mind its industrial goals whilst pursuing those relating to housing developments. Policies regarding change of use and the importance of additional housing developments, such as those contained in the DCLG's recent policy paper, 'Fixing our broken housing market', will potentially mean a reduction of incubator space for micro businesses and 'pop-up' studios.

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26 See BFI, 'BFI 2022: Supporting UK Film – Introduction' (November 2016), at [http://www.bfi.org.uk/2022/downloads/bfi2022\\_EN.pdf](http://www.bfi.org.uk/2022/downloads/bfi2022_EN.pdf)

79. Whilst much progress has been made with regards to digital infrastructure, its importance to the Creative Industries, including mobile connection speeds, should not be underestimated. We believe that the development of 5G should be expedited to ensure the UK's competitiveness.
80. We address the regional issues and importance of clusters below.

#### *Pillar 4: Supporting businesses to start and grow*

81. The Green Paper states that: *'To raise our productivity we need to marry our effective start-up culture with the right support and investment to facilitate the growth of businesses and social enterprises with the greatest potential'*. It goes on to highlight a number of issues and challenges that strongly resonate in parts of the Creative Industries.
82. First, it argues that UK businesses often *'face barriers to scaling up – including a lack of finance to support growth, their inability to adopt digital processes, and limited access to skills, particularly the leadership and management skills required to scale up successfully'*. This is especially pertinent to the Creative Industries, as companies need scale in order to generate a pipeline of hits that can be exploited globally.
83. Second, it notes that the UK is *'one of the world's leading financial centres, and this should be a powerful advantage for British business'*. A key challenge we face is that traditionally it has been difficult to get the financial and CI sectors to talk to each other and to understand each other; this is something that the Industrial Strategy should seek to address.
84. And third, it states that *'the Government can play a catalytic role in establishing and deepening new capital markets. It needs to ensure that regulatory frameworks, tax and fiscal incentives support business investment rather than distort markets'*. There is widespread acceptance that tailored, targeted fiscal incentives in the Creative Industries have played a vital role in supporting investment in content, and in particular inward investment, in areas such as film and high-end TV. This provides a steady flow of work, which helps to sustain the physical infrastructure (studios and other facilities) and talent base that also works on indigenous productions. For the fiscal incentives for film, it has been estimated that every £1 of taxpayer money generates £12 in GVA<sup>27</sup>.

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27 See European Audiovisual Observatory and Olsberg SPI, 'The Impact of Fiscal Incentive Schemes on the Production of Film and Audiovisual Works in Europe' (February 2015), as cited by Cineuropa, at <http://www.cineuropa.org/nw.aspx?t=newsdetail&l=en&did=286216>

*Q19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address (these factors)?*

*Q21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?*

*Q22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?*

85. BSAC is developing its proposals in this area, and we will respond to the issues raised by these questions in due course. As noted in the Introduction, we plan to publish our proposals by July, and will ensure they form part of a coherent sector deal proposal from the Creative Industries.
86. As part of our proposals, we will consider how the criteria for the Enterprise Investment Scheme and Seed Enterprise Investment Scheme – which the Green Paper argues have helped encourage the growth of venture capital investment in the UK – could be adapted to be more effective for the Creative Industries. We are also looking at how to ensure the continued effectiveness of the creative sector tax reliefs. And we will review the various European schemes that exist and consider the merits of continuing access to some of them or of replicating some of the benefits that they provide, potentially re-joining schemes that the UK has been a member of in the past, or of designing entirely new schemes from first principles.

*Pillar 6: Encouraging trade and inward investment*

87. The Green Paper emphasises the importance of trade and inward investment as drivers of growth. It states that the UK's departure from the EU implies a '*new global role in which the UK can trade freely with others*'.



88. Focusing on the elements of most relevance to the Creative Industries, the new approach set out in the Green Paper includes:
- building future trading relationships;
  - building global prosperity with a focus on markets of economic promise such as Nigeria, Pakistan and Kenya;
  - improving market access for exporters;
  - doubling export finance capacity;
  - making government trade services easier to use for firms;
  - joining up trade and inward investment promotion with local areas;
  - strengthening the value from trade shows; and
  - developing a new, more strategic approach to inward investment, which includes evaluating the effect of investment projects on growth.
89. The huge growth potential for the Creative Industries comes from increasing our market share around the world and attracting inward investment. We share English as the common language with the US, which is both the biggest market for cultural content in the world and the biggest exporter of audiovisual content. This means that our fortunes are, to a significant degree, intertwined with those of the US in a mutually beneficial manner. We benefit hugely from the global demand for English-language films, TV shows, music, etc. whilst also competing with content with the highest production values from bigger markets such as the US and, increasingly, China. And at the same time, cultural affinities between the UK and US, and world-class UK talent and facilities, are driving ever more scope for co-productions and inward investment.
90. At the same time, we should do all we can to avoid giving up the substantial benefits that flow to the UK as a result of the Country of Origin principle in the Audiovisual Services Media (AVMS) Directive. Also, we should ensure that UK content continues to be defined as ‘European Works’, in order that it contributes to the fulfilment of quotas and other requirements by any organisation that is subject to the AVMS Directive. We discuss these points below.

*Q25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?*

91. We should begin by recognising that the Government's strategy post-Brexit provides the UK with new opportunities in terms of export and inward investment, and these could be exciting for our sector. We need to ensure that the Creative Industries are high on the agenda of future trade deals.
92. At the same time, we should emphasise the importance of stability and clarity. In the short-term, the uncertainty around Brexit will be harmful to the Creative Industries, as it will be in other sectors, and the Government should work to provide as much certainty as possible as quickly as possible.
93. We welcome the creation of the Department for International Trade (DIT). Our Members indicate that engagement of Creative Industries companies with the department has been very positive thus far.
94. While co-productions are vital to the Creative Industries, we do not believe that Government policy should focus above all else on co-production treaties. Of the existing treaties, some are very helpful – especially those (such as with France) where there is a mutuality of incentives, with structures for producers on both sides to facilitate the drawing down of benefits (although, unhelpfully, France currently considers it covers only cinema works and not TV). In other cases, such as the co-production treaty with India, the two countries' business models, availability of public support schemes and approach to public administration are too different to make the treaty effective, and UK-Indian co-productions typically take place without the treaty wherever financially possible.
95. New co-production treaties will generally be of most benefit to the industry for territories with similar industry and public structures to those in the UK, such as other Western countries, Australia, New Zealand and Canada. In some territories, they can also help producers to navigate non-tariff barriers (such as the foreign production quotas in China).
96. The most useful role the Government can play is to maximise its support for the Creative Industries through the DIT. We would encourage the DIT to work more closely with industry to identify the priority export markets and optimal instruments to leverage investment in them – based on criteria such as access to financing, growth, locations to shoot, talent, places that want to learn and grow their film industries and develop relationships, etc.

97. As a starting point, there would be merit in updating a report commissioned by the BFI in 2012, ‘International Territory Review – a report on major territories for UK Film’, to bring the analysis up-to-date and expand the work to cover other creative sectors, such as TV and video games<sup>28</sup>.
98. Turning to the AVMS Directive, the Country of Origin (COO) principle ensures access to the single market for all EU members. The UK benefits greatly from this rule: it is Europe's leading broadcasting hub, home to more channels than any other EU country by a wide margin (1,400 channels compared to our nearest rival France, on just over 400). More than half of these UK-based channels are international, broadcasting not to the UK but to EU markets. These channels make a substantial contribution to the economic value of the multichannel sector, which supports 12,000 jobs and invests £700 million per annum in original content. In addition to such direct benefits, they support other parts of the broadcasting sector, accounting, for example, for two thirds (£100m) of the UK's playout sector. We would encourage the Government to seek to maintain access to EU markets for these channels, in order to maintain the UK's status as Europe's leading centre for broadcasting. Once the UK has left the EU, it will be possible to achieve this via alternative arrangements with the EU.
99. We welcome the highlighting of this issue in the Brexit White Paper, which notes: *‘Content that is carried over electronic communication networks is regulated in the EU by the Audiovisual Media Services Directive. This underpins the operation of the internal market for broadcasting by ensuring the freedom to provide broadcasting services throughout the EU. The UK is currently the EU’s biggest broadcasting hub, hosting a large number of international broadcasting companies. In the course of the negotiations, we will focus on ensuring the ability to trade as freely as possible with the EU and supporting the continued growth of the UK’s broadcasting sector.’*<sup>29</sup>
100. Brexit also gives us an opportunity in this area. Currently, Ofcom cannot grant licences for non-EU markets, as the EU has not made trade deals that cover this area, with the exception of South Korea. Once the UK is outside the EU, it will be free to strike such arrangements with countries around the world. This could enable the UK broadcasting sector to evolve into a truly global hub.

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28 See BFI and Olsberg SPI, ‘International Territories Review’ (December 2012), at <http://www.olsberg-spi.co.uk/olsberg-spi-publishes-international-territories-review-for-the-bfi/>

29 See DExEU, ‘The United Kingdom’s exit from and new partnership with the European Union – White Paper’ (2 February 2017), paragraph 8.35, at <https://www.gov.uk/government/publications/the-united-kingdoms-exit-from-and-new-partnership-with-the-european-union-white-paper>

101. The second issue relating to the AVMS Directive is about ‘European Works’. We need to ensure that UK content continues to meet the requirements to qualify as ‘European Works’ post-Brexit, as this supports UK programme exports and underpins investment in UK content from companies based in the UK and across the EU.
102. According to the AVMS Directive, ‘European Works’ include not only those originating in EU Member States but also those originating in countries party to the European Convention on Transfrontier Television, and ‘works co-produced within the framework of agreements related to the audiovisual sector concluded between the Union and third countries and fulfilling the conditions defined in each of those agreements’. So the UK will be covered by this post-Brexit so long as it remains a signatory to the European Convention on Transfrontier Television (and so long as the AVMS Directive continues to recognise that programmes made in Convention countries are ‘European Works’ for the purposes of its quotas).
103. Finally, we would reiterate the point made above that a migration policy that prevents access to people with knowledge of target export markets, and their cultures, would be highly counterproductive.

*Q26. What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?*

104. The Government’s focus on the importance of inward investment as a key element of its Industrial Strategy is very welcome. In addition to its consideration of the best way to measure the impact of Foreign Direct Investment (FDI – i.e. investment from one country into another to acquire physical capital or other tangible assets or to establish operations), it is important that the Government recognises the positive value and impact of other forms of inward investment. Over recent years the creative sector in the UK has been highly successful – with clear strategic support from successive UK Governments and agencies across the UK, including Northern Ireland Screen, the Welsh Government, the British Film Commission and Film London – at attracting growing levels of inward investment into film and TV production. In 2015, for example, of the £1.6 billion spent in the UK on film production, £1.2 billion was inward investment.

105. This has not only delivered high levels of value in terms of direct expenditure and job creation on individual projects in the UK, but the long-term and sustainable nature of the policies that have attracted this project-based investment has ensured the right market conditions to enable longer-term investments in the UK's infrastructure. A growing and regular flow of individual productions, from film and latterly TV, have been crucial to securing significant capital investment in facilities such as Pinewood, Warner Bros. Studios Leavesden and the Titanic Studios in Belfast. Attracting major film and TV productions to the UK on an ongoing basis has also resulted in the establishment across the UK of numerous other businesses in the supply chain, for example, in areas such as post-production and VFX.
106. The overall objective of the Industrial Strategy should be to ensure that the total amount of all forms of inward investment (FDI and other forms of inward investment) is healthy and growing. From the perspective of the UK's Creative Industries, including for example film and high end TV, the UK's model of tax credits is highly effective at attracting inward investment and delivering additional value to the UK economy; as noted earlier in this submission, for the fiscal incentives for film, it has been estimated that every £1 of taxpayer money generates £12 in GVA<sup>30</sup>. With the more recent introduction of animation and video games tax reliefs, there is an opportunity to further grow inward investment in these sectors significantly by investing in more effective promotion in key international markets of the UK as an investment destination. Looking forward, it is not immediately apparent that there are elements of schemes in other countries that we would wish to adopt.
107. Our strong preference is to maintain stability, and it would be helpful, in terms of attracting future business, for the Government to reinforce a 'business as usual' message. For this reason, we would counsel caution regarding any proposals to implement further tax incentives. Rather, we believe the Government's focus should be on ensuring the continued success of the current measures. This would be best achieved via ongoing monitoring of their effectiveness, as other territories around the world often improve their tax credits and incentives, and we need to make sure we remain competitive against them.

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30 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, at <http://www.cineuropa.org/nw.aspx?t=newsdetail&l=en&did=286216>

## *Pillar 8: Cultivating world-leading sectors*

108. The Green Paper states: *‘In the global economy, one of the most important determinants of the success of an industrial sector is the extent to which a vibrant, competitive supply chain of smaller companies exists to support the major players. Recognising the common interest across businesses, of having a successful supply chain in place, several sectors have taken deliberate steps to create the conditions for a vigorous ecology of suppliers to develop. The supplying firms are, in effect, a common resource, making it easier for larger firms to operate. As well as the existence of supply chains, some sectors have worked deliberately to improve the funding of suppliers and their capacity for innovation’*. It goes on to point to shared institutions which allow industries to undertake activities, such as training or research and development, that could not be undertaken by one company on its own.
109. This describes well many parts of the Creative Industries: while the most visible parts of some markets may be characterised by a small number of large players (broadcasters, studios, video-on-demand services), their supply base often comprises hundreds, even thousands, of suppliers producing creative content. The largest media companies engage in a range of activities, both individually and collectively through partnerships and industry bodies, to support their supply base. For example, the BBC and Channel 4, the main public service broadcasters, support a range of initiatives to support the independent production sector, including smaller firms and those based in the nations and regions.
110. A key aim of the Industrial Strategy is to help create conditions for a thriving supply chain, developing institutions in which companies can share in R&D and training. The Green Paper sets out the Government’s ‘open door’ challenge to industry, to make proposals to transform and upgrade their sector through ‘Sector Deals’.

111. An industry or sector *‘would need to show how the companies within the sector could take actions to transform their strategic prospects, and how the Government could increase the prospects of success. This could be by:*
- *helping align government policies around a sector, including training and skills*
  - *addressing a regulatory issue or deregulating*
  - *promoting the creation and diffusion of new technology and good practice*
  - *ensuring existing sources of funding are used most effectively*
  - *helping address market access barriers with other countries; and*
  - *supporting the creation of new institutions to support the sector, whether they are institutions to provide leadership, support innovation or raise skill levels.’*
112. BSAC strongly supports the Government’s strategy of cultivating world-leading sectors. We believe the Creative Industries are a prime example, and we will work with industry partners to make the case for a sector deal over the coming weeks.
113. As we have described above, the audiovisual sector is underpinned by a vibrant ecology comprising both public and private sector organisations, supported by a complex set of policy interventions that are designed to nurture creativity, boost investment in original content, and promote British culture. To ensure the continued domestic and global success of this sector, British companies and policymakers need the freedom to adapt their business and regulatory models in response to fast-changing and uncertain market and technological developments. Therefore, when it is negotiating future trade deals with other international countries, the Government should – in the context of an overall high level of ambition to create favourable conditions for exports of UK audiovisual content – 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 this sector.

*Q31. How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?*

114. The response from the Creative Industries will be led by the Creative Industries Council (CIC), which was recently established as a joint forum between the broader Creative Industries and the Government, with a focus on industry-led approaches to boosting growth and competitiveness, with Government facilitating and removing barriers where appropriate.
115. For cross-industry issues that impact on the audiovisual sector, BSAC is well-placed to make an important contribution, and our submissions will complement those of the CIC, providing extra details for the audiovisual sector. Over the years, BSAC has provided the forum for the UK's audiovisual sector to come together and speak with a single voice in our representations to the UK government, on issues such as recent discussions on the proposed EU-US free trade agreement. BSAC's membership includes the big players in the audiovisual sector, representative smaller companies, the trade and representative bodies listed below for individual sectors, and public agencies such as the BFI, British Film Commission, Creative Scotland and Film London.
116. Trade and representative bodies – working for individual sectors and cross-industry bodies – will also make their own contributions. In the Creative Industries, organisations closely engaged in public policy include BECTU, COBA, Film Distributors' Association, Pact, Publishers Licensing Society, UK Cinema Association, Ukie and the Writers Guild (all of which are members of BSAC).
117. For the sector deal proposals, BSAC and other organisations will liaise with the CIC and coordinate with each other to ensure our submissions to the Government are coordinated and that we are speaking with one voice.

*Q32. How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?*

118. The Green Paper emphasises that *'arrangements must be open to new entrants and challengers to existing incumbents, and be agile so that emerging industries and sectors can avail themselves of cross-industry institutions, not just traditional sectors.'*



119. This is an important objective. While BSAC's membership includes the largest incumbent industry players, it also includes trade bodies and unions representing the smallest independent production companies, individual production companies (including some of the smaller companies such as Sixteen Films and We Are Colony) and creative individuals. Therefore, we aim to devise a sector strategy that works for all parts, and is open to new entrants.
120. The Creative Industries are characterised by open, competitive markets. Consumers face a huge amount of choice, and their decisions on how to spend their attention, time and money are based on the types of content that are most creatively appealing to them. One of the defining characteristics of the Creative Industries is that people typically consume content from multiple sources, and look for things that are new and innovative (new bands, TV shows, films, etc.) alongside longstanding favourites. This distinguishes our industry from others in which, notwithstanding innovation in the sector over time, it is not unusual for a consumer to buy different models of the same good or service, such as the same brand of car, for decades.
121. As part of the competitive nature of the Creative Industries, barriers to entry are low for most forms of content. Anyone with a great idea can pitch their idea to commissioners or funders of content and, with a little experience, set up an independent production company to bring their ideas to fruition. There is healthy competition between older incumbents and new players for the creation of new programmes, formats, games, etc. The degree of openness has been transformed in recent years with the growth of the digital economy, which now includes bedroom coders (of apps, games, etc.), while YouTube has created a new generation of celebrity vloggers, broadening further the pathways for talent.
122. From a technical perspective, competition policy already serves to ensure that dominant market positions are not abused. An effective competition framework is in place, and the industrial strategy should sit alongside that (it will of course be necessary for the Government to amend its UK competition framework post-Brexit in areas where competence lay with the European Commission).
123. The Green Paper says that *'Sir Peter Bazalgette will conduct an independent review into how the UK's creative industries, like our world-leading music and video games industries, can help underpin our future prosperity by utilising and developing new technology, capitalising on intellectual property rights, and growing talent pipelines.'*

124. BSAC has set up a number of Working Groups, covering skills and migration, market access, investment and funding, and copyright and enforcement. We will use the discussions in these groups to develop our views in these areas and feed in to our submission to the Bazalgette Review and the broader sector deal proposal being developed across the Creative Industries.

*Pillar 9: Driving growth across the whole country*

125. The Green Paper highlights the issue of lower productivity outside London, and the ambition to achieve more balanced growth. Its proposed framework covers:
- backing local connectivity with strategic infrastructure investment;
  - raising skill levels nationwide, particularly in areas where they are lower;
  - investing in local science and innovation strengths; and
  - getting the institutional framework right to support local industries.

*Q34. Do you agree the principles set out above are the right ones? If not what is missing?*

126. BSAC supports the principles set out in the Green Paper. We recognise that the Creative Industries have traditionally been very focused on London and the south-east of England. This has begun to change in recent years, most notably with the development of broadcasting hubs in Salford, Cardiff, Glasgow and Northern Ireland, along with proactive engagement from local agencies such as Screen Yorkshire, Creative Scotland and Northern Ireland Screen – all of which have helped to provide significant hubs of audiovisual activity outside London, boosting skills, attracting investment in physical infrastructure and promoting connectivity in these areas.

127. MediaCityUK in Salford illustrates what can be achieved through partnerships between public and private sector organisations. It is now Europe's largest media cluster, with 7,000 people employed there, and home to ITV, Shine North, Red Production Company and more than 150 SMEs operating in and around MediaCityUK. The BBC was the anchor tenant for the MediaCityUK development, and it is now the BBC's second largest creative hub and the biggest news centre outside of London. Some of the BBC's flagship digital products are based there, along with BBC Sport, Children's, Radio 5 Live and the BBC Philharmonic. Alongside the broadcasters and TV production companies, SMEs operating in MediaCityUK create a range of content, including websites, apps and games.
128. Nesta's work on creative hubs is valuable. Its recent report on creativity in the UK identifies 47 creative clusters, highlighting the wealth of localised skills and talent in the regions<sup>31</sup>. Its 2014 map of the UK Games Industry identified 12 hubs of game-making activity across the UK<sup>32</sup>.
129. We believe that there is scope to build on the clusters with the greatest growth potential, and targeted investment 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, an 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.)
130. At the same time, it is important not to undermine the economies of scale achieved in London, which enables 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.

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31 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](https://www.nesta.org.uk/sites/default/files/the_geography_of_creativity_in_the_uk.pdf)

32 See NESTA, 'A Map of the UK Games Industry' (September 2014), at [http://www.nesta.org.uk/sites/default/files/map\\_uk\\_games\\_industry\\_wv.pdf](http://www.nesta.org.uk/sites/default/files/map_uk_games_industry_wv.pdf)

131. As a final point, we would note that as part of public policies to promote regional investment and clusters, it is important to support the considerable private sector investment in infrastructure in the Creative Industries, including the development of existing hubs. For example, the Pinewood Studio Development Framework (PSDF) is a £200 million development to double the size of Pinewood Studios. This investment will help to address capacity constraints, given that the Pinewood and Shepperton Studios Media Hubs, which are home to 239 businesses, are currently at 95% occupancy.

*Pillar 10: Creating the right institutions to bring together sectors and places*

132. The Green Paper is right to highlight the value of local ‘anchor’ businesses, local financial institutions, local leadership institutions such as local authorities and Local Enterprise Partnerships, institutions such as universities and science parks that support innovation, and cultural or sporting institutions that act as a magnet for visitors and talent. It gives the example of the BBC, which helped to anchor a creative cluster in Salford.

*For more information about BSAC  
Please see our website  
[www.bsac.uk.com](http://www.bsac.uk.com)*