

SUBMISSION FROM MATCHLIGHT

Scottish Parliament: Economy, Energy and Tourism Committee

Economic Impact of the Creative Industries

“To consider how Scotland can grow sustainable TV and film, and video games industries.”

Submission provided by David Smith, Managing Director of Matchlight Limited

Headline points (expanded upon below):

1. **This Committee, the Scottish Government, Scottish Enterprise and Creative Scotland should understand that film and television are separate sectors.** Our customers, processes, timescales, personnel, funding and recoupment models as well as product development/production strategies are very different.
2. The TV sector is also divided between broadcasters and independent producers who have quite separate concerns and needs vis a vis government intervention.
3. **Scottish Government should clearly indicate whether or not SE or CS or both have a role to play in growing a sustainable TV production sector here in Scotland.** The responsibilities of each organisation in this regard should be clearly set out and understood by both the civil servants involved and the TV practitioners they work with.
4. **Securing non-National Lottery derived funding to support the growth of a sustainable TV production sector in Scotland would be a significant step forward.** Grant in aid support directly provided by the Scottish Government would give greater flexibility than National Lottery funds.
5. **The Scottish Government should use the additional powers recommended by The Smith Commission re Broadcasting to ensure the BBC and Channel 4 (who were not referenced directly by The Smith Commission) work proactively to ensure sustainable growth in TV production from Scotland.**
6. **Scottish Enterprise should conduct research to establish baseline information about the economic impact of the TV production sector and repeat that research annually to measure progress.**
7. **Using the “formal consultative role” agreed under The Smith Commission the Scottish Government should, as a priority, ensure that the BBC’s current undertaking to commission at least 9% of its original network output from Scotland be enshrined within the BBC’s new Charter.**
8. **The Scottish Government should work with the BBC and C4 to ensure that neither public service broadcaster uses “lift & shift” to boost output from Scotland.**
9. **To ensure sustainable growth in the TV production sector in Scotland the Scottish Government should work with C4 to ensure that producers rooted in Scotland have both the capacity to meet C4’s increased demand and**

sufficient engagement with the Channel's London based commissioners to ensure their ideas are market ready and receive a fair hearing.

10. The keystone to success in television is development with an engaged and motivated commissioning broadcaster. Production delivers revenue, infrastructure and employment; but only market focused development delivers production. **The Scottish Government should provide grant-in-aid funding to augment the development capacity of Scottish based producers.**

This submission is provided by Matchlight Limited, an independent television production company based in Glasgow since its foundation in 2009.

We are “independent” because we are neither owned by nor do we own 25% or more of a broadcaster. This is an important distinction – independents have driven success in the UK wide TV sector but we are also, particularly at the smaller end of the spectrum, very vulnerable (unlike broadcaster owned producers we cannot simply commission new work internally). For this reason, and to ensure diversity of supply in the interests of viewers, the EU requires that broadcasters commission a set amount of their schedule from independent producers. In the UK, for all public service broadcasters, this is set at 25% of original output.

Matchlight works largely with the BBC and Channel 4. Our Glasgow base houses a staff of 10 and we provide employment to a larger number of freelance programme makers in Scotland and beyond. We have an annual turnover of around £2million and we produce factual television content – with a particular focus on documentary, history, arts and current affairs. The business is owned and operated by its management team in Glasgow. Recent programmes transmitted include: *Russell Brand: End the Drugs War* (BBC Three, Dec 15th 2014); *Darcey Bussell's Looking for Audrey Hepburn* (BBC One, Dec 29th 2015); and *The Story of Women & Art* (BBC Two, May 2014). Matchlight is currently producing series and/or single films for BBC Scotland, BBC One and BBC Two. We are a market focused, television production company but we are also firmly focused on creative documentary, arts and history film making.

This submission is limited in scope to factual television production for both local (Scottish) broadcasters and national (UK wide) broadcast networks. Film and video games are separate areas of activity, with very limited areas of crossover with television production. While film may share some technical skills with drama production for television, and employ some of the same people from time to time, there is practically no crossover between Scotland's film sector and Scottish based producers of factual television content. In other words, we would suggest that we be viewed as separate sectors as the shorthand connection of “film and television” does neither film nor television any great service as our customers, processes, timescales, personnel, funding and recoupment models as well as product development/production strategies are very different.

Terms of Reference

1. **The role of public sector agencies and the effectiveness of the support they provide.**

Scottish Enterprise worked with Matchlight upon its formation in 2009, helping the business secure support through Regional Selective Assistance (RSA). RSA is tied to either the creation of permanent jobs or investment in capital items. In our case it was

largely focused on job creation as a factually focused production company like Matchlight has a relatively low capital expenditure requirement. RSA proved to be very useful to Matchlight in 2009 when it supported a period of rapid growth. It was not felt to be as relevant in 2014 when the company went through a management buy-out and RSA was again offered alongside other business planning support. As permanent jobs are now less sustainable than they were in 2009, with more staff engaged on a project by project basis and fewer on permanent contracts, RSA was not pursued in 2014.

Creative Scotland has directly worked with Matchlight on two occasions across our five years of existence:

- a. In 2010 CS worked with Matchlight to support a scheme designed to enable up-and-coming Scottish programme directors to win their first UK network documentary commission. CS provided matched funding to support the scheme which saw four directors develop new programme ideas alongside the Matchlight team.
- b. In 2013 CS and the BBC worked with Matchlight and another Scottish production company to support the development of new programme and series ideas for two specific genres – arts and history. This initiative was very successful. We estimate that the public support applied to the project helped the two companies sell circa £2,000,000 worth of new programmes in 2013/14 and in 2014/15. This CS/BBC initiative was not repeated but a version of it was recently proposed by the TV Working Group established to inform CS and SE engagement with the sector. It remains under consideration by SE and CS.

With the exception of these two occasions when specific support was secured from CS we have found it difficult to engage in any ongoing way with CS. As most of that organisation's funding for "the screen industries" is derived from the National Lottery it is not generally available to support television projects – National Lottery money is generally ring fenced for film projects.

When we have approached CS with documentary projects we believed had "theatrical" (i.e. film) potential we were advised that despite our long, award winning track record in documentary production CS could not support an application from Matchlight unless we first teamed up with a film producer.

As a general comment we feel, and we suspect it is a feeling shared by many within the television production sector, that TV production is not fully understood or "owned" by either SE or CS. Though undeniably "creative" we are often seen as being too industrial for CS to fully embrace (and their lack of non National Lottery derived funding for "the screen industries" in Scotland adds to their difficulty). By contrast the fact that we ultimately make and sell intellectual property – the copyrights in our work seems to have led to SE also holding TV production at arm's length.

The Scottish Government could help by clearly indicating whether or not SE or CS or both have a role to play in growing a sustainable TV production sector here in Scotland. The responsibilities of each organisation in this regard should be clearly set out and understood by both the civil servants involved and the TV practitioners they work with.

Securing non-National Lottery derived funding to support the growth of a sustainable TV production sector in Scotland would also be a significant step

forward. Grant in aid support directly provided by the Scottish Government would give greater flexibility than National Lottery funds. Please see our further comments below (in Section 3) about the centrality of development to TV production and the difficulties faced in raising development funding for R&D from private sources.

Looking beyond CS and SE towards the Scottish Government itself we would suggest that **the limited additional powers recommended by The Smith Commission re Broadcasting be fully embraced by the Scottish Government.** Given that the BBC alone commissions almost £1.3billion worth of new Network content annually (which, it should be noted, is a drop from £1.46billion in 2004 according to Ofcom) the formal consultative role offered to the Scottish Government in the process of reviewing the BBC's Charter is vitally important to ensuring both growth and sustainability in the Scottish TV production sector.

Given that it is also a public asset similar consultation rights should be secured over the Channel 4 licence to broadcast. In exercising its right of consultation the Scottish Government should ensure that Scotland's share of new programme spent by the BBC (and, in due course, by C4) – by volume and value – is at least equivalent to its share of UK population.

Without direct accountability to the Scottish Parliament, UK broadcasters inevitably concentrate their attentions on Westminster – where their licences to broadcast are granted and supervised. Issues like Charter renewal, the licence fee settlement, changes in Director General, changes in commissioning structures, all impact upon the growth and sustainability of Scotland's production and broadcasting sector. Rebalancing the representation of the UK's cultures onscreen and creating a sustainable production ecology in Scotland slips down the agenda when other issues and challenges arise. Channel 4 in past years had a Scottish representative on its main board. That is no longer the case and so an opportunity for greater public service accountability has diminished.

Finally, we would recommend that the public sector – most appropriately, Scottish Enterprise – conduct research to establish baseline information about the economic impact of the TV production sector (and repeat that research annually) to establish the following information:

1. Total employment (FTE) in TV production in Scotland per annum;
2. Total employment (FTE) in TV broadcasting in Scotland per annum;
3. Total employment (FTE) in independent TV production in Scotland per annum;
4. Total value of TV production in Scotland (the aggregate value of all programmes commissioned as "Scottish" under Ofcom's rules) per annum;
5. Total value of independent TV production in Scotland (the aggregate value of all independently produced programmes commissioned as "Scottish" under Ofcom's rules) per annum.

This information is not currently available through any published source that we could find and we feel it will be vital in measuring the success of any strategy or tactic adopted by the Scottish Government to grow a sustainable TV production industry in Scotland.

2. The role of private sector investment in supporting the video games and the TV and film sectors.

The private sector from the perspective of this independent production company is comprised of:

- a. Commissioning broadcasters;
- b. Secondary market distribution companies;
- c. Banks and other potential providers of business finance.

While distributors play an important role in financing individual projects and securing overseas sales and banks such as Coutts and Barclays have dedicated TV departments it is the commissioning broadcasters who are and will remain the keystone to building a sustainable TV production sector here in Scotland. The capacity to supply is redundant unless there is demand – if the broadcasters are not looking to Scotland for output all other efforts are, essentially, pointless. At the same time Scottish based producers have to be market focused, working with the broadcasters to meet their expressed needs.

The BBC currently undertakes to commission a minimum of 9% of its original network output by volume and value from Scotland (in line with our share of UK population). **Using the “formal consultative role” agreed under The Smith Commission the Scottish Government should, as its prime priority, ensure that this undertaking remains in place as Charter Renewal is under discussion – ideally it should be enshrined within the BBC’s new charter.** It should also work to ensure that the targets are not subverted by either: a) allowing broadcasters to recognize as “Scottish” output that does not meet Ofcom’s definition of Scottish; or b) using “lift & shift” tactics to move pre-existing programmes or series from elsewhere in the UK to Scotland.

“Lift and shift” describes a tactic used by some broadcasters, mainly the BBC, to increase Scottish based output, whereby production of multi-part, pre-existing shows (including Eggheads, Question Time and Weakest Link) were relocated to Scotland from elsewhere. This enabled the BBC to meet its Scottish output commitments but the benefit of much of the new “Scottish” work remained with the London based producers behind the relocated shows. “Lift and shift” provided valuable production employment but not sustainability – IP and profits remained in the South East; the key relationships between seller and buyer remained in London.

“Lift & shift” did nothing to promote sustainable TV production rooted in Scotland. A prime example is Waterloo Road, which was moved by the BBC and Shed (part of Warner Bros.) from England to Glasgow in 2011. Undeniably the move provided jobs and training on a significant scale for a period but, once the BBC decided to cancel the show Shed Scotland was quickly shutdown by its owners. This is a perfect example of the unsustainable nature of relocated productions or companies. They go where the work is and leave as soon as it dries up. Scottish based producers are here for the long term. We generate the ideas here and draw the work into Scotland. We provide the only real solution to the issue of nurturing, growing and retaining talent in Scotland. **The Scottish Government should work with the BBC and C4 to ensure that “lift & shift” is not employed as an output growth tactic in the future by either broadcaster.**

Channel 4 has recently agreed new licence terms with Ofcom and DCMS. Part of this agreement was an undertaking to increase out of England commissioning from around

3% of their original content budget to 9% by 2020. The UK nations – Northern Ireland, Scotland and Wales – are home to approximately 17% of the UK's population; Scotland alone has 9% of the UK's populace. Many lobbied for C4 to accept commissioning targets in line with UK population share but in the end Ofcom decided 9% was more realistic, partly to ensure C4 did not adopt “lift & shift” as a tactic. The 9% figure is considered to be a “floor” rather than a “ceiling”.

To ensure sustainable growth in the TV production sector in Scotland the Scottish Government should work with C4 to ensure that producers rooted in Scotland have both the capacity to meet C4's increased demand and sufficient engagement with the Channel's London based commissioners to ensure their ideas are market ready and receive a fair hearing. The recent resignation of Stuart Cosgrove of C4's Head of Nations and Regions makes this an even greater priority as Mr. Cosgrove's influence on behalf of Scottish (and Welsh and Northern Irish) producers has been vital and will be all but impossible to replicate.

3. How the issues that hinder the growth of creative industries can be overcome and how to capitalise on opportunities.

The keystone to success in television is development with an engaged and motivated commissioning broadcaster. Production delivers revenue, infrastructure and employment; but only market focused development delivers production.

Members of the Television Working Group established in the wake of the Scottish Broadcasting Commission to inform Scottish Enterprise and Creative Scotland how best to engage with the TV broadcasting and production sector in Scotland recently recommended that grant-in-aid funding be secured by the Scottish Government to fund a capacity enhancing “flexible augmented development” programme that would ensure Scottish headquartered producers could better meet the increased demand from C4 and sustain market provided by the BBC. This programme was based on the successful scheme noted above whereby the BBC and Creative Scotland worked with Matchlight and another production company in Scotland to augment our R&D capacity in two specific genres, Arts and History. Seed public support of around £20,000 enabled the two business involved to win £2,000,000 worth of work from the BBC across two consecutive years. Unfortunately the “flexible augmented development” programme was rejected last week by the Scottish Government for want of sufficient funds.

The BBC is currently working to maintain its minimum commissioning target of 9% from Scotland and to rebalance its commissioning away from “lift and shift” to stabilize production companies rooted in Scotland.

From January, 2015 Channel 4 has been operating under a new broadcasting licence which requires it to increase its commissioning across all of the UK nations to 9% of output by 2020. By the Channel's own estimates this will increase the value of Nations' based production by around £12million pa.

These strategic moves deliver a clear opportunity for growth to Scottish producers. At the same time, the focus on Scotland as a source of new commissions introduces a potential threat as many Scottish production companies lack the capacity to develop new ideas in the volume necessary to meet the opportunity presented by the BBC and Channel 4. This increases the likelihood of the broadcasters again looking elsewhere for the projects that will enable them to meet their targets, utilizing “lift & shift” to meet the letter of the new requirements but frustrating their intent.

To improve the chances of Scottish based producers (companies head quartered here and with their key executives based here) growing and winning the lion's share of the Scottish output promised by the BBC and Channel 4 the Scottish Government should work provide grant-in-aid funding to augment their development capacity.

We would recommend the rejection of the Flexible Augmented Development scheme be reconsidered in the first instance and that a more cohesive, longterm strategy them be adopted in consultation with Scottish producers and their customers here in Scotland and at the UK network level.

4. How to retain in Scotland those with the necessary creative skills.

People move to London because that is where the majority of television jobs are located. They think they will get the best opportunity to hone their skills and build their career if they move South.

It's a logical conclusion. All of the UK's broadcasters are based there (save for STV and UTV). Most of the big independent production companies are located there. All of the UK's TV content distributors are based there (as far as I am aware).

Jobs are what attract talent; they are what talent needs to thrive, grow and develop. The best way to ensure those with the necessary creative skills stay in Scotland (and are drawn to work in Scotland) is to ensure that there is a sustainable TV production sector based in Scotland and that those production companies are working on projects of sufficient quality.

In our mind this means supporting production companies rooted in Scotland and helping them go to market best prepared to meet broadcaster needs. Scottish based producers are here for the long term, providing the only real solution to the issue of nurturing, growing and retaining talent in Scotland. They work in the local Scottish market, across the UK networks and internationally, they devise and develop their ideas here and the intellectual capital they grow stays here. Supporting brass plate "lift & shift" companies does not have the same effect.

That said, if you wanted to be really ambitious, you could float the idea of a UK wide network broadcaster moving genuine commissioning power to Scotland. This could follow the BBC's approach at Salford? Or it could be more ambitious still; imagine if the high value jobs generated by Channel 4 as a whole were suddenly relocated to Glasgow?

David Smith, 12.01.15

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