

SUBMISSION FROM TERN TELEVISION

Tern Television, established in 1988, is an independent production company making programmes for BBC ONE, BBC TWO, BBC FOUR, BBC World News, BBC Earth, BBC Scotland, BBC Northern Ireland, ITV1, Channel 4, Sky One, National Geographic, Discovery Networks, History Channel (US).

Tern was among the first companies to win commissions from broadcasters other than Channel 4, and was the first Scottish company to win a BBC Network series. It is the only Scottish company to have a base outside Scotland.

Tern's recent screenings (2013 and 2014) include:

- BBC Scotland – The Harbour, The Beechgrove Garden, The Mountain, Christmas Eve Carols and coverage of the Party Conferences;
- BBC TWO – Who Were the Greeks, Town with Nicholas Crane, Map Man;
- BBC FOUR – The Beauty of Anatomy, Great Irish Journeys;
- BBC World News – Cybercrimes;
- ITV – Roman Britain from the Air;
- Channel 4 – John Barrowman's Pet Hospital;
- Sky One – Air Ambulance ER; and
- National Geographic – Vinnie Jones Toughest Russia.

Tern has a turnover of £5m (around 20% on average of which is in dollars), a core staff of 19 employed in accounts, research and development and executive production, and provides further full time equivalent employment of around 40-50 producers, directors, production managers, assistant producers researchers and picture editors, and further employment directly for camera and sound people. Indirectly Tern's projects provide sustainable employment for staff in independent edit facilities and graphics companies.

Tern's productions have won awards from Bafta Scotland, Royal Television Society, New York Festivals, Cine, and Prix Italia.

Tern is a Scottish Enterprise account managed company.

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

Television production is a business, just like any other business. Production companies function by developing ideas, building relationships with the clients, winning contracts, and producing programmes. And like any other businesses, they prosper by increasing the volume of business they deliver, growing their reputation, and winning more business.

But television is unlike other businesses in that only rarely do TV companies have products which, having received investment in development, then have a long manufacturing run on which to recover that investment. The proportion of profit required to be reinvested in R&D is therefore high.

Successful companies are those with strategies for increasing the 'hit rate' from their R&D. This is achieved partly by the quality of proposals, but mainly by developing relationships with broadcaster commissioners. Breakthrough success comes from having a hit that sells around the world. Sustainability in Scotland comes from a mix of Scottish, UK Network and International commissions.

Television companies in the UK are spectacularly unlike other businesses in that their customers are also near monopoly competitors. Until twenty years ago, all channels other than Channel 4 made programmes in house. The change, to include independents in the supply to broadcasters, has been embraced by broadcasters only reluctantly and under regulatory pressure. However, the transformation of UK Television since the introduction of independent production is there for all to see. The UK has changed from being a net importer to a net exporter of television. And the success of the independent sector is further validated in that in the 25% of BBC commissioning where there is open competition between independents and BBC in house production (25% being reserved for indies and 50% for the BBC), 83% was won by independents in 2012.

The growth of the independent sector across the UK has not been mirrored in Scotland. This is largely due to the concentration of decision making and commissioning in London consequent on the broadcasters having to set up buying and selling structures to accommodate the introduction of independent commissioning in the 1990s. By the mid 90s well over 90% of all TV production was within the M25. Targets were introduced and amended and refined to attempt to change this, but commissioner behaviours in preferring to work with those they knew and met regularly (in London) persisted, and more effort was applied to thwarting the targets than to implementing them.

The appointment of the Broadcasting Commission for Scotland increased public and political awareness of London's dominance of television. For the first time, specific targets for Scotland were introduced, and definitions of what was Scottish were tightened in order to try to persuade commissioners to refrain from subverting the targets by disguising London productions as Scottish. However, for political reasons, in order to be seen to deliver to targets as soon as possible, the BBC persuaded a number of London companies and productions to relocate to Scotland. These quickly absorbed the quotas, and Tern's experience was that after the introduction of the Nations quotas, the level of work which we won from BBC network actually declined.

Whilst such broadcaster strategies may have brought work to BBC staff in their new Pacific Quay studios, and to freelance staff who worked for the Scottish branches of London companies, the strategy was weak both culturally and economically. Culturally, in that programmes commissioned were devised by company bosses in London and pitched to commissioners in London before being farmed out to Scottish branch offices, thus reinforcing the cultural values of the South East. Economically, in that whereas Scottish companies facing hard times simply redoubled their effort and personal investment, London companies' response to a down period was to close the branch. The recent closure of Shed consequent on the ending of Waterloo Road is a clear example of the failure of 'Lift and Shift' commissioning. It has delivered numbers temporarily to a quota, but leaves no long term benefit.

There seems at last to be an acknowledgement of the failure of 'Lift and Shift', in that Ofcom's recent review of Channel 4's license resisted a target of 9% from Scotland, preferring instead a target of just 9% for all UK small Nations, on the basis that a target set too high would simply encourage the now discredited 'Lift and Shift' tactic, and a lower target

would deliver a slower but more genuine sector growth which would be more beneficial in the long term.

Scotland's production sector will only thrive when there are healthy relationships between producers based here and broadcaster commissioners. Given the reluctance of commissioners to step outside their comfort zone and build new relationships of trust, the investment required by Scottish companies in building these new relationships is greater than that required of their counterparts in the South.

Creative Scotland is inhibited in any efforts it might make to engage with the sector by the restriction of its Lottery Funds to film. It has made some effort to accommodate television, but with limited success. Whilst film may look towards Creative Scotland, television has a more natural affinity with Scottish Enterprise. Scottish Enterprise, however, lacks the understanding of how production works. The gradual shift of focus by producers from Creative Scotland to Scottish Enterprise requires regular dialogue so that Scottish Enterprise products can be adapted to the idiosyncrasies of the sector. Specific challenges which Tern has worked to overcome, with mixed success, with Scottish Enterprise have been

- Measurement of employment. Production companies employ mostly freelance and short contract staff. These do not count towards measurement of employment numbers. And yet the majority of workers in the sector are freelance. Such full time employees as are taken on are likely to be part time in the first instance, and thus they too fail the test as they are not new recruits. Companies thus fail to measure up to dominant criteria for support.
- Support for R&D – stage one. The key requirement to grow the Scottish sector is people who can win the trust of commissioners, or who already have it. These people are rare, and command high salaries, and are thus a high risk investment for companies. Sharing that risk is the key ask. Whilst there can be and has been some support where the R&D person is international export focussed, there needs to be consideration of R&D people who can win London work.
- Support for R&D – stage two. The process of winning commissions after establishment of initial interest requires significant investment, perhaps in acquiring a format, or filming a taster tape or pilot episode, or hiring a person with specific experience of the sort of programme being proposed. Producers have recently applied to Scottish Government for Flexible Augment Support, but this has been rejected for 2014/15. Dialogue with Government officials is continuing at the time of writing.

Meanwhile producers would welcome a channel of communication with Government on the issues they face, so there can be understanding at the top of opportunities and problems, and so that politicians can lend support. Scottish Screen used to provide this, but the role has been lost in the translation to Creative Scotland.

Internationally, SDI has provided support, both for staff and for attendance at international pitching opportunities, which is welcome.

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

Independent Production Companies have relationships with privately owned distribution companies, who take competed UK programmes to international markets for retransmission

on foreign channels. These distributors will generally invest in the production budget, or provide an advance of distribution revenue.

Some companies have been bought by London companies, and in turn been sold on to internationally owned companies.

The industry in Scotland is not yet big enough to attract commercial investment to allow Scottish companies to be the acquirers. See below for the experience of Wales.

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

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

Some issues that inhibit growth of a sustainable sector, and solutions, have been outlined above.

Retaining relevant production skills, the manufacturing part of the process, will happen when a sufficient level of sustainable work for them is won. Key to this will be the people who can win this work. See above.

How to support those in the TV and film and video games industries to develop business skills.

TRC in Glasgow is an agency with broadcasters on its board which provides effective communication with practitioners in the games and TV sectors. Its courses provide strategic and managerial vision specifically tailored for these sectors. Tern wholeheartedly supports TRC's efforts.

Examples of successful international strategies for growing these sectors.

The contrast between Wales and Scotland is dramatic. Wales has significantly bigger spend from the BBC per head of population than Scotland – significantly more than license fee raises. Scotland, by contrast, has less.

Wales has at least two TV companies with international branches and revenue streams. Scotland has none.

Wales' success is the result of coordinated strategy between broadcasters, production companies and the public sector which has leveraged private capital and allowed significant growth.

S4C used, like Scotland, to spread commissioning around a large number of companies. It decided a decade or more ago that, instead of issuing small project development grants to many companies, it would offer a small number of significant development grants for tender. Companies which won these grew substantially, were able to develop credible business plans and attract public sector support, and subsequently private investment. Boom bought TwoFour, and is now the largest independently owned company in the UK, and Tinopolis bought Mentorn, a London based factual production company, as well as other companies in the UK and US.

Scotland has never had such a strategy. Broadcasters, principally the BBC, have passed the opportunities to develop an indigenous sector, and the lack of a strategy like Wales has

had has allowed the lead to be taken by London commissioners and London production companies.

Conclusions

Independent television production delivers a significant proportion of broadcasting from Scotland. In the same way as any analysis of the current state of writing in Scotland would be deficient if it only engaged with the managers of bookshops, so an analysis of the state of television production in Scotland will also need much more than discussion with broadcasters.

The last decade has seen a decline in the number of Scottish owned independent production companies, and a growth in branch offices of London companies. Whilst the latter may deliver an increase in employment of freelance staff, the increase is inherently unstable, as branch offices are closed when they face downturns. And branch offices are less likely to deliver reflection of Scottish culture on Scottish and UK network screens.

Scotland has lacked a coordinated strategy between government, public agencies, broadcasters and producers. It needs clarity as to which government agency is the appropriate means of engaging in strategic development.

There is a reluctance in broadcaster commissioners to develop new relationships with Scottish producers. A deepened political understanding of the process, and continued political pressure, is required to support the development of the industry. The recommendations of the Smith Commission are a small start.

January 2015