

## **SUBMISSION FROM TIERNAN KELLY, FILM CITY GLASGOW**

### **THE ROLE OF PUBLIC SECTOR AGENCIES AND THE EFFECTIVENESS OF THE SUPPORT THEY PROVIDE**

Points addressed:

1. Restructuring of the local enterprise network
2. The lack of protectionism for the Creative Industries Enterprise Zone
3. The Film Studio Delivery Group
4. The current relationship between Scottish Enterprise and Creative Scotland

#### **1. Restructuring of the local enterprise network**

In my own personal experience, the removal of Scottish Enterprise Glasgow (SEG) has reduced the effectiveness and indeed the conspicuousness of the enterprise agency in working with the local sector in Glasgow. Prior to the restructuring of the enterprise network, SEG Creative Industries Senior Executives Helena Ward and Claire Scally were passionate, informed advocates of the creative industries, and were key influencers in projects such as Film City Glasgow and the Glasgow Film Office. In addition, they had strong connections with the television and digital networks in Glasgow (notably Claire Scally was subsequently employed by Illumina Digital to head up their Scottish office, and Helena Ward, the TRC and Creative Scotland in a Creative Industries role). Their successors seem to have been instructed to take a more holistic, project and events based role, rather than a prominent business support and influencing one. Indeed, up until 2010 I had weekly interactions with the SEG team, but further to restructuring, this has dissipated dramatically.

In a wider context, Glasgow City Council (GCC) has also commented<sup>1</sup> on the restructuring of the local enterprise agency, which in their opinion has seen:

- a reduction in the amount of effective partnership working on joint project development and implementation;
- the loss of economic development resource for local economic regeneration, with the financial distribution formula for the re-allocation of Scottish Enterprise financial resources operating to the disadvantage of the city;
- a reduction in joint project funding for a range of initiatives and programmes, for example the Glasgow Film Office and various property refurbishment programmes.

Whilst describing a general economic development malaise, GCC's comments resonate with me and the wider screen and creative industries sector. Projects such as Film City Glasgow and the Glasgow Film Office were examples of GCC & SEG

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<sup>1</sup> A submission from Glasgow City Council on the economic development functions of Local authorities and the impact of the current recession on local economic development and regeneration activity.

agency partnership, but there appears now to be some consensus on a noticeable shift in delivery and standard of support, and an indication that the restructuring has had a negative impact for our sector.

## **2. The lack of ‘protectionism’ for the Creative Industries Enterprise Zone in Glasgow**

The erosion of local partnership working is further evident in the management of the ‘Creative Industries Enterprise Zone’, in the Pacific Quay area of Glasgow (the Creative Clyde General Manufacturing and Growth Sectors Enterprise Area was created in 2012 by the Scottish Government). The appraisals of the scheme, namely the *Enterprise Area: Preliminary Appraisal*<sup>2</sup> and that of the *Enterprise Areas: Financial Scrutiny Unit*, highlighted the aim to attract inward investment and infrastructure projects into ‘assisted areas’.

A creative industries enterprise zone was an opportunity to build on the existing critical mass of creative and cultural activity in Glasgow. The enterprise zone has developable land currently under public sector ownership, in a city with the highest density of film and television crew and facilities companies anywhere in Scotland, the major terrestrial broadcasters, over 50,000 sq ft of sound and picture post production houses, new hotel developments, the explosion of cultural and hospitality amenities, and Glasgow School of Art’s world leading Digital Design Studio. There is inherent institutional support, where in addition to the national cultural and enterprise agencies, there would be the added support of a film office, marketing bureau, business support agencies, chamber of commerce, and a tacit connection with one of the world’s strongest city brands.

However, SE, CS, SCIP and SGOV have missed the opportunity to work in partnership with the private sector to deliver a flagship creative industries zone, as set out in the ambition of this government policy. The UK government’s definition of regeneration is *“a set of activities that reverse economic, social and physical decline in areas where market forces will not do this without support from government”*, which aptly describes Pacific Quay, and an opportunity to cluster, rather than fragment, our screen and creative industry talent.

The establishment of the Enterprise Zone was the opportunity for direct public sector intervention in an area of the city that has now seen various iterations of planning and branding concepts, dating back to the Garden Festival. Interestingly, SE’s initial support of the FCG project in Pacific Quay 2003 was based on two key tenets, namely the creation of *‘a sectoral cluster where screen and animation companies co-locate and flourish in close proximity’* and *‘the opportunity to attract indigenous and internationally mobile film and television production to Glasgow’*.

Unfortunately, a lack of ‘protectionism’ from the public sector agencies has resulted in large swathes of land and existing properties at Pacific Quay now having alternate uses (e.g. electronics recycling factory, anonymous public house chain). SE repeatedly defer to market conditions as the reason for their lack of intervention at Pacific Quay. This reliance to market conditions is further highlighted by Dr Kevin Sanson in his PHD and subsequent research on Pacific Quay<sup>3</sup>. Dr Sanson highlights that *‘Partnering with property developers makes the city’s strategy vulnerable to market conditions...development has been slow and uneven, in large*

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<sup>2</sup> [www.scotland.gov.uk/topics/economy/economicstrategy/enterprise-areas/preliminary-appraisal](http://www.scotland.gov.uk/topics/economy/economicstrategy/enterprise-areas/preliminary-appraisal)

<sup>3</sup> <http://www.carseywolf.ucsb.edu/mip/places-watch-glasgow>

*part because its success has depended heavily on participation from the private sector”.*

Contrast this with his assessment of Film City Glasgow (or indeed, any other creative cluster delivered with direct intervention): *“Rather than rely on real estate firms and property consultants to breathe creative life into its corridor culture, FCG leverages the momentum and commitment of one of its strongest native creative firms - and, crucially, it’s not an insular endeavor, either.”*

Dr Sanson’s observation is in fact in step with current Scottish Government economic strategy, which states *“ the government recognize that our intervention can make a significant difference to future success by facilitating or accelerating development in areas where the market alone cannot deliver the best outcome, and that there is the opportunity to strengthen Scotland’s areas of international comparative advantage, through achieving critical mass and boosting productivity”*. It is therefore important to highlight the lack of consistency in the message and ambitions currently communicated across the government agencies in terms of their potential intervention.

The commercial property sector is driven by high yield, long-term lease, covenanted, developments. The creative industries property requirement is for cost effective, flexible short-term leases, typically with a very weak or speculative covenant. The Creative Industries Enterprise Zone was a clear opportunity to address this. One only has to consider The Sharp Project, a local authority led creative industries development in Manchester, for comparison. The stated strategic aim of the Sharp Project is to *“reduce barriers that prevent creative and digital businesses from growing, creating work, and generating wealth’*.

A recent economic impact study<sup>4</sup> highlighted the success of the project thus far, with the following key facts:

- Exceeded its target by creating 375 (full time equivalent) jobs.
- Now home to more than 50 businesses,
- Generates an annual GVA impact of £21.4 million.
- Despite being in a period of recession, tenants surveyed as part of the research showed encouraging growth with 92% experiencing increased turnover, 89% increased productivity and 85% developing new products and services since arriving at The Sharp Project. Also 75% of tenants surveyed had created new jobs. Over the next 12 months 100% of tenants expected turnover to increase and 61% expected to take on more staff.

Funders and champions of the project commented on the economic impact study as follows:

**Sir Richard Leese, Leader of Manchester City Council:** *“In addition to the economic, social and regeneration benefits already realised, the evidence suggests the impact of The Sharp Project will continue to increase in future years. It has*

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<sup>4</sup> Evaluating the Economic Impact of The Sharp Project, October 2013

*created a strong platform for future developments in Manchester, further strengthening the digital sector and contributing to the City's ambition to be one of the world's leading digital city by 2020."*

**John McCreadie, Director of ekosgen** said: *"The Sharp Project is a remarkable phenomenon combining considerable economic impact with a powerful brand that has the potential to secure further investment and employment in the city. The Sharp Project also now provides a tried and tested model for digital media production hubs."*

**Sue Woodward OBE**, Director of The Sharp Project and Manchester's Creative Media Champion said: *"The strategy behind The Sharp Project is working and making a real difference to the sector and the local economy. We've achieved a critical mass of companies which has enabled us to prototype a new way of supporting and encouraging digital companies to collaborate as well as compete for business. This unique and defining feature has allowed us to create a digital community within a business environment that stimulates growth."*

There are two important points to consider in context of the Creative Clyde Enterprise Zone in Glasgow. Firstly, the Sharp Project has been created as a part of a wider strategy to complement the emergence of Media City Salford, now home to an existing critical mass of screen and creative talent. This is completely analogous with the opportunity in Glasgow.

Secondly, Scottish Enterprise, Creative Scotland, and Film City Glasgow visited the Sharp Project in January 2013 as part of a fact-finding exercise to examine models of screen production facilities (Titanic Studios, Belfast was also visited). Having seen this innovative and dynamic regeneration development first hand, Scottish Enterprise's comment was solely that it was 'loss making'. Compare this with the ebullient quotes above from champions of The Sharp Project, which has now expanded further with The Space Project, a further 200,000 sq ft of screen production facilities in Manchester.

It is also worth commenting on 'displacement' in respect of Enterprise Zones. One of the concerns about the typical incentive packages offered in Enterprise Zones is that rather than stimulate weak local economies, they attract and advantage profitable, existing businesses from the local area. Also, that they disadvantage the private commercial property sector. However, there are two key points to consider in terms of the creative industries.

Firstly, in Glasgow, projects such as Film City Glasgow, WASPS, South Block, and the Whisky Bond, are all 60,000 plus square feet creative clusters, where businesses are attracted (arguably 'displaced') to the creative, collaborative environments.

Secondly, the low-yield, flexible leased, non-convenanted creative business is (by their own admission) not the ideal customer base for the private commercial property sector. Therefore, the ladder of accommodation for the creative industries across Glasgow demonstrates that there is the space for both the private and public sector to exist, and an appropriate customer base for both. In this context, displacement has a positive effect.

In relation to the committee's question about retaining in Scotland those with the

necessary creative skills, facilities also play an important role in talent retention, and I would draw the committee's attention to the following comments. David Cook, Wasps' chief executive officer, recently commented: *"The idea behind setting up Wasps back in 1977 was the thought of students graduating from colleges of art and either ceasing to be artists or leaving Scotland and moving to London. One of the reasons was that there was very little publicly funded, cheap studio space for people to work in. The idea was born to create spaces up here to keep artists in Scotland."*

In addition, leading screen strategist Jonathan Olsberg's article in Screen Daily from May 2013 entitled '*Incentives aren't everything*'<sup>5</sup> noted that '*Studios provide the bedrock of a territory's production offer. Not only are they essential in providing the controllable, dedicated shooting space necessary for high-end projects but they also function as de facto creative hubs, providing a focal point for crews and specialist support companies and acting as platforms for future growth.*' Both comments are an endorsement on the fundamental role of fit for purpose facilities for creative practitioners.

The Scottish Enterprise driven Creative Clyde Strategic Development Group (with a key objective for "*members to have a significant ability to influence the nature and quality of business and infrastructure development in the core Creative Clyde location at and around Pacific Quay*") was also tasked to work with the Glasgow Economic Commission<sup>6</sup> to further deliver growth ambitions and a strategy that prioritizes the commercial exploitation of 'Creative Clyde' and Glasgow's creative assets and talent. This has not yet been achieved after three years of discussion, and in conjunction with the Enterprise Zone status, was a timely opportunity to promote the city as a major hub of creative industries activity. Glasgow City Council and Creative Scotland were previously active members of the group, but in my opinion their interest has significantly waned due to the lack of apparent purpose of the group in delivering the original objective, as stated earlier.

In 2014, Dr Katherine Champion of the University of Glasgow's Centre for Cultural Policy Research wrote a piece for Film City Glasgow named '*Place matters: the case for the development of a studio complex within Pacific Quay, Glasgow*', which discussed the advantages of screen/creative industry clustering, location, and convergence, and other strands such as the relationship to impact on talent and sector growth, and their relationship to a developing city. It presented a compelling and informed case for clustering in metropolitan areas, most clearly articulated in the statement that '*place is demonstrably a defining feature of the new production economy of the 21st century inner city among advanced cities and 'place' in this context ineluctably comprises both concrete and representational features*'.

Finally, in 2010, a report was commissioned by the Scottish Enterprise led Television Broadcast and Production Working Group, namely '*Growing the Television Broadcast and Production Sector in Scotland*'<sup>7</sup>. In tandem with the recommendation that the public sector commit to addressing the need for appropriate and flexible production build space, the report also set out a strategy to increase the broadcast sector by 60%, and increase workforce from 2,910 to 4,676. Film City Glasgow has repeatedly highlighted the capacity challenges it is currently facing, and if the broadcast sector is to grow as indicated, there is an obvious need for 'spaces and

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<sup>5</sup> <http://www.screendaily.com/comment/incentives-arent-everything/5071618.article>

<sup>6</sup> [www.glasgoweconomicfacts.com/dept.aspx?dept\\_id=191](http://www.glasgoweconomicfacts.com/dept.aspx?dept_id=191)

<sup>7</sup> [www.scottish-enterprise.com/resources/publications/ghi/growing-the-television-broadcast-and-production-sector-in-scotland.aspx](http://www.scottish-enterprise.com/resources/publications/ghi/growing-the-television-broadcast-and-production-sector-in-scotland.aspx)

places' to accommodate such growth. What, therefore, is the current facilities and accommodation strategy?

### 3. The Film Studio Delivery Group

The Film Studio Delivery Group (FSDG) was convened in May 2013, and was to be a vehicle by which the Scottish Government, Scottish Enterprise, and Creative Scotland, aimed to deliver '*a sustainable studio for Scotland*'. Whilst the idea of a Scottish studio has been mooted periodically over the last few decades, the success of Film City Glasgow and a subsequent proposal to expand the facility in 2011 has precipitated the current appetite for a screen production facility, culminating in the formation of the FSDG. However, FCG were subsequently excluded from the development and decision making process, which is nothing less than extraordinary.

Our frustration in the process thus far has resulted in the following actions in December 2014:

- An open letter to the (FSDG) asking them to build on Glasgow's existing screen infrastructure, and why this option presents the only realistic opportunity to deliver a sustainable studio in Scotland. The letter has been co-signed by over 1,400 supporters, from emerging talent, production crew, and facilities companies, to household names such as Ewan McGregor and Peter Mullan.
- A subsequent document to the First Minister detailing why we think the FSDG has failed as an entity, lacks a fundamental understanding of the specific needs of the Scottish industry, and most concerning, has suffered from an obvious discord between the public sector agencies within the group (SE & CS). That the group has not yet delivered after 21 months of deliberation and consultancy, and at a cost likely to be a large six-figure sum, is in our opinion testament to its dysfunction. Such expense and procrastination is difficult to justify, across any sector or agency.

Particularly frustrating was establishing the terms of the public money available for the studio project. The conditions on funding available through Creative Scotland and Scottish Government have been a moving target. This is simply not good enough for public sector agencies.

As an example, there are currently two pots of public funding available for screen infrastructure projects in Scotland, that is £1 million lottery money from Creative Scotland's Large Capital fund, and £2 million from the Scottish Government's Screen Infrastructure Loan Fund. Despite being announced in 2013, there are no details on the loan rate, terms, payback period, or covenant required, for Scottish Government's Screen Infrastructure Loan Fund. Why announce such a fund without clear terms and conditions?

I also believe that the FSDG has been blinkered by the European Commission's state aid decision on the recovery of €265 million from the Ciudad de la Luz film studio complex, which appears to be one of their benchmarks of misappropriation of public funds in the context of screen production developments. A £10m investment in a Scottish facility is less than 4% of this level of investment, and in my opinion insignificant competition to the major studio complexes in Europe.

There is the opportunity to develop not just a stand-alone film studio, but a screen production facility framed around film, television, animation, digital, innovation, training and job creation. Have these options been fully explored under state aid rules? There are various models by which this could be developed, both operational and financial, but requires engagement with organizations like Film City Glasgow to develop such a proposal.

Rather than focus initially on cost, state aid, or long-term governance, and of course alongside an appropriate and meaningful incentive package, the development of screen production facilities in Scotland should be first benchmarked against the following economic principles:

- Will we make Scotland a more attractive location and established a more globally competitive screen business environment?
- Will we stimulate sector growth?
- What are the tangible qualitative and quantitative economic outputs such as improving the employment market, increased productivity, stimulating economic participation?
- Will global competitiveness and aspiration be improved?
- Will there be greater convergence between indigenous screen SMEs?
- Will we attract new business and investment through co-location opportunities?
- Will we create pathways and career opportunities through alignment with tertiary education partners?
- What will be the value of projects delivered using the facilities?
- The number of employment opportunities created?
- The number of clients and businesses supported by the facility?

If the answer is yes to the majority of the above questions, and these basic economic principles are attainable and deliverable, then why has the FSDG undergone a 21-month deliberation period and incurred a six-figure sum? Whilst the studio project is a specific component in the creative ecosystem, the performance and procrastination of the group thus far, and the lack of clear communication, has reflected badly on all of the public agencies involved in the process.

#### **4. The current relationship between Scottish Enterprise and Creative Scotland**

One can only speak specifically about personal experience and sector, but from my perspective, the relationship between Creative Scotland and Scottish Enterprise needs immediate attention. Metaphorically, it is a failing marriage, but ultimately salvageable with the appropriate counsel and action.

Specific examples include the individual interaction my business endured with the respective agencies on the matter of the film studio and the subsequent 'delivery

group', the impression that there was a discord over the breakdown between parties with regards to the £1 million broadcast incentive fund (2012), the frustration expressed by CS over the lack of support from SE in respect of 'Outlander', and the manner in which both parties dealt with the Independent Producers Scotland regular funding application. Some honesty on the current relationship from both parties would be an ideal starting place.

And what of SCIP (the Scottish Creative Industries Partnership)? I'm sure many in the creative industries in Scotland have no idea of its existence or function, beyond the public sector agencies involved. The *Scottish Government Key Sector Report* from Nov 2009 described the work of SCIP as "*mapping existing support, intervention, and impact, helping to address gaps in current provision and helping to judge what needs to be done to ensure public sector intervention is as effective as it can be in supporting creative practitioners*". The public sector agencies may defend the work and outputs of SCIP, but there is now a government inquiry into 'support, intervention and impact' – surely a paradox?

My impression is also that Scottish Enterprise believe that Creative Scotland do not have the personnel or business skills necessary to evaluate and fund certain projects. Indeed, this was stated to me on a number of occasions during the film studio evaluation period. If this is an issue, perhaps this could be addressed by devolving all business, project and capital funding for the creative industries to Creative Scotland, with a dedicated business unit established within the organization (I have limited knowledge as to the level of business support (e.g. SME only?) provided by the Cultural Enterprise Office (CEO), but if it is relevant to bring them into the equation then this should be explored).

Finally, I have no doubt that Film City Glasgow would now have an expanded, functioning screen production facility in Glasgow had Creative Scotland been the sole public sector agency involved, hence my advocacy for a developed Creative Scotland business support offer.

## **EXAMPLES OF SUCCESSFUL INTERNATIONAL STRATEGIES FOR GROWING THESE SECTORS**

In context of location driven strategies, the development of studio complexes has been regarded as one tool for attracting international production and embedding it within those local hubs so as to build capacity and expertise that will form the basis for a sustainable industry<sup>8</sup>. Building on this ambition, one only has to look at facilities such as the Sharp Project in Manchester, the NYC Media Center in New York, the Screen Industries Research and Training Centre in Toronto, or Ecole de la Cité in Paris, to understand where our ambitions for the screen industries in Scotland should lie.

The importance of location, people and place is key to all of these facilities. Bringing talent at all levels together is also important, and this type of sectoral clustering is already embedded in Glasgow's regeneration success story. The International Financial Services District Glasgow (IFSD), Spiers Lock, and Merchant City all have strong, identifiable brands. Most recently, SE have invested £10 million in a new hub building in the heart of the new International Technology and Renewable Energy Zone (ITREZ) in George Street. The same metrics of clustering clearly apply to the screen and creative industries, and potentially ambitiously so. Such spaces can

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<sup>8</sup> Cinema cities, media cities: the contemporary international studio complex. B Goldsmith, T O'Regan



create ‘intensive personal interactions’ and ‘non-linear collaboration’ opportunities through cross sector convergence of talent and ideas<sup>9</sup>.

Creative Scotland, in evidence submitted to UK Parliament<sup>10</sup> commented on the value of creative clusters: “*We believe that genuine clustering has a positive role to play in facilitating innovation and growth in the creative sector. However, public sector support for clustering should be facilitating organic development initiated by the creative industries themselves, rather than directive, unless there is a case for capital investment to be the necessary initiation of a development in a mutually identified location with industry*”. I believe there is a compelling case for expanding the key established creative clusters in Glasgow, and the creation of similar facilities across Scotland.

## **THE CURRENT INQUIRY BY THE ECONOMY, ENERGY AND TOURISM COMMITTEE**

The inquiry at hand immediately raises concerns about the effectiveness of previous consultancy work on the creative industries in Scotland. Indeed, I would suspect that many across the sector now suffer from consultancy and report fatigue. Over the last five years, the following strategies, market assessments, and economic impact exercises have been produced:

- *‘Growing the Television Broadcast and Production Sector in Scotland’, August 2010.*
- *‘Creative Scotland, On Screen’, Film Strategy 2014 – 17, October 2014.*
- *‘Feasibility Study of Television and Film Production Space in Scotland’, A Final Report for Scottish Enterprise, SQW, September 2010.*
- *‘Delivery Options for Production Space for Film and TV’, Report for Scottish Enterprise, EKOS Limited, March 2014.*
- *‘Scottish Enterprise Economic Impact Assessment of the Broadcast Industry in Scotland’, Final Report March 2009, PWC.*
- *‘Market Assessment of the Broadcast and Television Production Sector in Scotland 2011/12’, Report for Scottish Enterprise, EKOS Limited, February 2013.*
- *‘Building the ‘Platform for success’ Economic Development Strategy for Scotland’s Broadcast Sector’, Produced by Scottish Enterprise, March 2009.*
- *‘Review of Broadcast and TV Production Incentive Finance for Scotland’, Final Report , NMP, Feb 2011.*
- *‘Support for the creative economy’, Written evidence submitted by Creative Scotland to UK Parliament [SEC 026], 2012.*
- *‘Digital Inspiration, Strategy for Scotland’s Digital Media Industry’, Produced*

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<sup>9</sup> Knowledge transfer without widgets: the challenge of the creative economy by Geoffrey Crossick

<sup>10</sup> *Support for the Creative Economy: Written evidence to UK Parliament, Creative Scotland, Nov 12*

*by The Scottish Digital Media Industry Advisory Group (IAG), 2009.*

All of these publications (at least 10) addressed issues around growth, the public agencies respective roles, scale, IP, international competitiveness, access to finance, skills, facilities etc. It is therefore very frustrating that an inquiry is necessary, as by implication the previous publications have failed to effectively address the questions asked in the committee's 'Terms of Reference' on growth, investment, talent retention etc.

## **SUMMARY RECOMMENDATIONS**

- A review of the failure to build on the ambitions of the Creative Industries Enterprise Zone in Glasgow.
- A review of why after spending 21 months and a six-figure sum the Film Studio Delivery Group has failed to deliver a studio in Scotland.
- More conspicuous role for SCIP with wider industry representation involved in its function.
- Dialogue with the key facilitators of creative industries facilities in Scotland to identify the current accommodation requirement, to include (amongst others to be identified) those leading Film City Glasgow, WASPS, Whisky Bond.
- A dedicated screen agency for Scotland.
- Creative Scotland to create a dedicated creative business unit, with meaningful levels of funding, to advise on business development, sustainability, access to finance, funding for extra-ordinary projects such as capital. Scottish Enterprise can then make a value judgment to work with high growth creative industries companies on a case-by-case basis.
- Honest assessment of the relationship between Creative Scotland and Scottish Enterprise.
- January 2015