Scottish Affairs Committee

Creative industries in Scotland inquiry

Response from MG ALBA – 4/9/15

Introduction.
MG ALBA is short for Meadhanan Gàidhlig Alba (Gaelic Media Scotland) and is the operating name of Seirbheis nam Meadhanan Gàidhlig or Gaelic Media Service. Its statutory purpose is to ensure that a wide and diverse range of high quality programmes in Gaelic is made available to persons in Scotland by broadcasting or by other means.

MG ALBA delivers BBC ALBA (the Gaelic language television channel) in partnership with the BBC. BBC ALBA is the first partnership television service to operate under a BBC licence.

BBC ALBA is a success. Audience figures are strong, with over 700,000 average weekly reach (MG ALBA, 2015). BBC iPlayer augments viewing – 7.43m views in 2014 (MG ALBA, 2015).

BBC ALBA is an important part of the Scottish broadcast ecology. PACT (the Producers’ Alliance for Cinema and Television) has estimated that BBC ALBA accounts for over 50% of all Scottish commissions by hour (PACT, 2010). The channel commissions 78% of its content from Scotland’s independent production sector (MG ALBA, 2014).

MG ALBA comments on the television content production aspects of the creative industries in Scotland.

1. What is the footprint and economic value of the creative industries in Scotland?

It is assumed that footprint refers to geographic footprint. Other organisations will have sight of the total footprint and economic value of the creative industries in Scotland. MG ALBA comments on the television content aspects.
MG ALBA works with 22 independent production companies across Scotland, as well as the BBC and STV and is therefore an important driver of creative industries’ growth in Scotland. There is significant cluster activity noticeable in Stornoway, Glasgow and Aberdeen.

This diverse footprint is important both creatively and economically.

MG ALBA’s most recent economic impact assessment found that the total impact of MG ALBA was 290 FTE jobs, and GVA of £12.5m (Matthews, 2015). Of this, around 100 jobs are based in the islands, with wages above average for the area. Research conducted last year by Highlands and Islands Enterprise suggests that Gaelic as an asset could be worth up to £29.4m to Scotland’s creative industries (HIE, 2014).

In Skye alone, where the Gaelic drama, *Bannan* is being produced by The Inbetweeners’ Young Films, GVA of £690,000 and 14 FTE have been generated (Matthews, 2015). The impact of such spend in economically fragile areas such as Skye and The Western Isles is highly significant.

In addition to the economic impact, the strategic impact of investment in quality television such as *Bannan* should also be noted. Such investment further enables Scotland’s film ambitions: *Bannan* is playing a key part in creating the critical mass of talent and skills required to precondition Scotland for film development. These strategic benefits accrue to all of Scotland, not just the Gaelic media sector.

MG ALBA is ambitious for its supply sector and its development strategy has two principal objectives: (i) increasing the capacity of suppliers to co-produce and co-fund Gaelic originations (including other language versions for UK or international markets), thereby extending the impact of the existing public monies going into Gaelic broadcasting and drawing new investment into the sector in Scotland; and (ii) increasing the capacity of the sector to leverage its assets, including intellectual property rights. This latter objective includes internationalisation. This will strengthen the sustainability of the sector. In doing so, MG ALBA is facilitating a culture of entrepreneurship and creative business leadership.

In addition to the economic benefits, there are social benefits to the broad footprint of MG ALBA’s activities. These include increased self-confidence and pride at an individual and community level, and increased attachment of people to communities. BBC ALBA/MG ALBA investment creates opportunities for young people in particular, and their retention in peripheral areas is key to social and economic sustainability of fragile areas.

**(a) How does this compare to the UK as a whole?**

Investment in Gaelic broadcasting has clear cultural benefits. Additionally, it is an important investment in Scotland’s creative industries, given the London orientation of the UK television content industry.
Scotland’s domestic television content market is generally weak however. There is evidence that Scotland’s supply sector has neither diversified post-2008 - which saw a contraction in content funding by Public Service Broadcasters - nor internationalised to the same degree as the rest of the UK since that contraction.

Without further stimulus of the Scottish domestic market, growth of the television content sector in Scotland will be extremely challenging.

2. How do the creative industries in Scotland differ to the creative industries in the UK as a whole?

The rapid consolidation in the global content market which has seen UK independent companies as key acquisition targets and the emergence of mega-indies does not represent the reality of the Scottish broadcast sector, including the Gaelic supply sector.

On the contrary, the Scottish broadcast sector is dominated by microbusinesses. While these survive because of Public Service Broadcasting (PSB), they do not grow, because of issues of scale, scope, the cost-plus funding model, a lack of networks, a lack of market intelligence, the inherently insecure nature of the commissioning model, and the inappropriateness of the current corporate tax relief.

There is an important evidence gap in relation to independent production in Scotland. PACT are not in a position to provide detailed Scottish data. And although Ofcom’s Communications Market Review 2014 contains data *inter alia* on first-run originations by Nation, the proportions commissioned by PSBs in-house/from independents are not published (Ofcom, 2014). Therefore, to MG ALBA’s knowledge, neither the total spend for the independent production sector in Scotland, nor the total number of hours commissioned of the independent sector in Scotland are currently published.

3. How effectively do the UK, Scottish and local governments work together to promote the creative industries of Scotland at home and abroad?

UK Trade and Investment (UKTI) collaborates with Scottish Development International (SDI) on matters such as visits to trade markets, and that is useful.

As noted above, the ‘UK as creative capital of the world’ narrative obscures the challenges of the Scottish domestic market, and MG ALBA would encourage all agencies to be cognisant of this. This includes the recognition that although the UK market is London oriented, growth can come through internationalisation through other axes of relationships.
4. What are the barriers to the growth of the creative industries in Scotland, and how can these be overcome?

MG ALBA sets out below issues it considers constrain the growth of Scotland’s TV content companies and how these can be overcome:

**Size:** size is a key issue, and is of particular importance in the creative industries. Size creates economies of scale and scope, it also improves bargaining position (i.e. bigger firms can become key suppliers to broadcasters); and size enables companies to spread risk through the creation of a repertoire – enabling hits to be offset against misses.

*Possible solutions:* complementary, collaborative alliances to showcase work collectively in international markets, mitigating need for scale.

**Networking:** networking is of particular importance in the creative industries and for reasons of both geography and relatively weak domestic market, these networks are less substantial among Scottish TV producers. Producers of Gaelic television programmes have both the skills and the products to be competitive in the wider market but many are constrained both by the absence of effective UK and international networks and by lack of resource to seriously develop such networks and collaborations.

*Possible solutions:* market-led focus on creating such networks of both distributors and commissioners. This can be facilitated by partnership working by agencies, e.g. MG ALBA is working closely with other agencies and organisations to facilitate such strengthening of networks.

**Information:** market intelligence is essential to inform strategic decision-making. Hitherto this has been lacking, arguably because of the historically PSB-dominated UK marketplace.

*Possible solution:* MG ALBA is working with other agencies to ensure market intelligence is available to its supply sector to ensure evidence-led development of non-Scottish markets. This will enable identification of the opportunities including European markets and funds such as the EU’s MEDIA Programme, which hitherto Scotland has had limited success in accessing. MG ALBA has initiated European funding pre-alignment rounds to encourage and support its suppliers to apply for such funds.

**Commissioning models:** short-term commissioning models create short-termism in the production sector and an inherent inability for smaller companies in particular to plan ahead effectively.

*Possible solution:* a greater number of longer term production contracts would give more stability and more planning potential to production companies. MG ALBA, for example, commits almost two thirds of its commissioning budget to 3-year contracts. This allows companies to plan their finances, their staffing and their creative talent to greater effect, thereby also allowing the company to create a
repertoire and collaborations with longer time horizons.

**Corporate tax relief**: corporate tax relief is available in the UK to the value of 25% of ‘qualifying expenditure’; this applies to children’s programming, animation or programmes of not less than £1,000,000 per hour. Ireland’s regime is different: its section 481 tax relief enables television drama, animation and creative documentary to benefit up to 28% of qualifying expenditure. There is no qualifying cost per hour; qualification is down to programme type.

**Possible solution**: consider possible corporate tax relief variations to promote programming in indigenous languages.

(a) **What, if any, changes need to be made to enable the creative industries to capitalise on their Intellectual Property?**

Part of MG ALBA’s development strategy for its supply sector includes the leveraging of assets, including intellectual property rights. Independent production companies’ terms of trade generally ensure that they are in a position to capitalise on these.

5. **What can the UK Government do to create an environment which encourages growth in the creative industries in Scotland?**

There are several measures the UK government could take to encourage growth in Scotland’s content industries. These fall into two categories:

(i) measures to further stimulate the Scottish domestic content market; and

(ii) measures which encourage internationalisation, including co-production.

**Measures to stimulate the Scottish domestic content market**

Stimulation of the Scottish domestic market can come by way of both English language programming and Gaelic language programming.

BBC ALBA currently has a repeat rate of 73% because of lack of money for originations. This repeat rate is unsustainable for audiences. Enabling an increase in originations from 1.95 hours to 3 hours per day, through increased investment, would enable MG ALBA to maintain its success, arrest audience fatigue, address currently under-served segments and fulfil its potential in relation to the growth of Scotland’s creative capital.

As part of its submission to the public consultation on BBC Charter Review, MG ALBA will propose that the BBC increase its in-house production for BBC ALBA to 10 hours of high quality programmes per week, in line with BBC Wales’ programme contribution to S4C (which has a total budget of £107m).

In relation to English language programming in Scotland, MG ALBA would welcome the increased levels of competition, production and broadcast for viewers in
Scotland that a separate Scottish English-language channel - proposed by Scotland’s First Minister in the Alternative MacTaggart lecture at the Edinburgh international Television Festival in August 2015 – would bring.

MG ALBA recommends that discussions in relation to such a proposal recognise the distinctiveness of BBC ALBA as a Gaelic service and the existing value and success of BBC ALBA for audiences and for the development of Scotland’s creative capital.

MG ALBA and the BBC have tested, and proved, that a partnership model is good for Gaelic, good for audiences, and good for the production sector. Further partnership working in our sector has the potential to deliver more of these dividends. For those reasons MG ALBA believes that any discussions on future television solutions for Scotland should bear in mind the opportunity for BBC ALBA to be both collaborative and competitive according to genre.

A partnership strategic approach could also ensure that the structural barriers within Scottish broadcasting were addressed. This could include focus on content which (i) addresses public service content requirements; (ii) has the potential to be commercially successful on global markets – including through co-financing and co-production; and (iii) catalyses the development of the critical mass of skills and talent required for Scotland’s creative industries’ growth.

**Measures to encourage internationalisation**

Internationalisation is key to growth of Scotland’s TV content production sector and is a central part of MG ALBA’s development strategy for its suppliers. In order to achieve a step change in internationalisation, MG ALBA suggests the following:

(i) a Scottish Internationalisation Co-Production fund led by MG ALBA and open to both Gaelic-originated and non-Gaelic programming, but which would require a commissioning commitment from a domestic Scottish broadcaster;

(ii) extension of the scope of UK corporate tax relief to incentivise indigenous language programming; and

(iii) distinct assessment of the UK Nations under the EU MEDIA programme.

The combination of these measures would be to level the international co-production playing field. Scotland currently has no tax incentive to offer potential partners, unlike territories such as Ireland. Further, because it is part of the UK for the purposes of the EU MEDIA programme, Scotland is deemed to have a relatively high production capacity, therefore scores in the lowest category of points for MEDIA co-production funding and is thus disadvantaged. A distinct assessment of Scotland as a separate production territory under this scheme (ie assessment at NUTS 1 rather than Member State level) would ensure it was not deemed to have ‘high production capacity’ and would therefore improve its co-production eligibility.
6. **How could the system of tax reliefs for the creative industries better encourage growth of these industries in Scotland?**

As noted above, co-production is increasingly essential to production and Scotland is disadvantaged.

Ireland’s regime is different: its section 481 tax relief referred to above has a dual purpose – to create culturally relevant product or to increase internationally-focused economic activity in Ireland.

MG ALBA suggests that the current UK corporate tax relief should be extended to indigenous programming to mirror the Irish incentive.

7. **What, if any, tailored support is needed for the creative industries in Scotland?**

To summarise, growth of Scotland’s content sector could be achieved through the interventions above: stimulating the domestic market, combined with an international co-production fund coupled with a corporate tax incentive.
References


Mathews, T., April 2015, Economic Impact of MG ALBA, Reference Economic Consultants.


