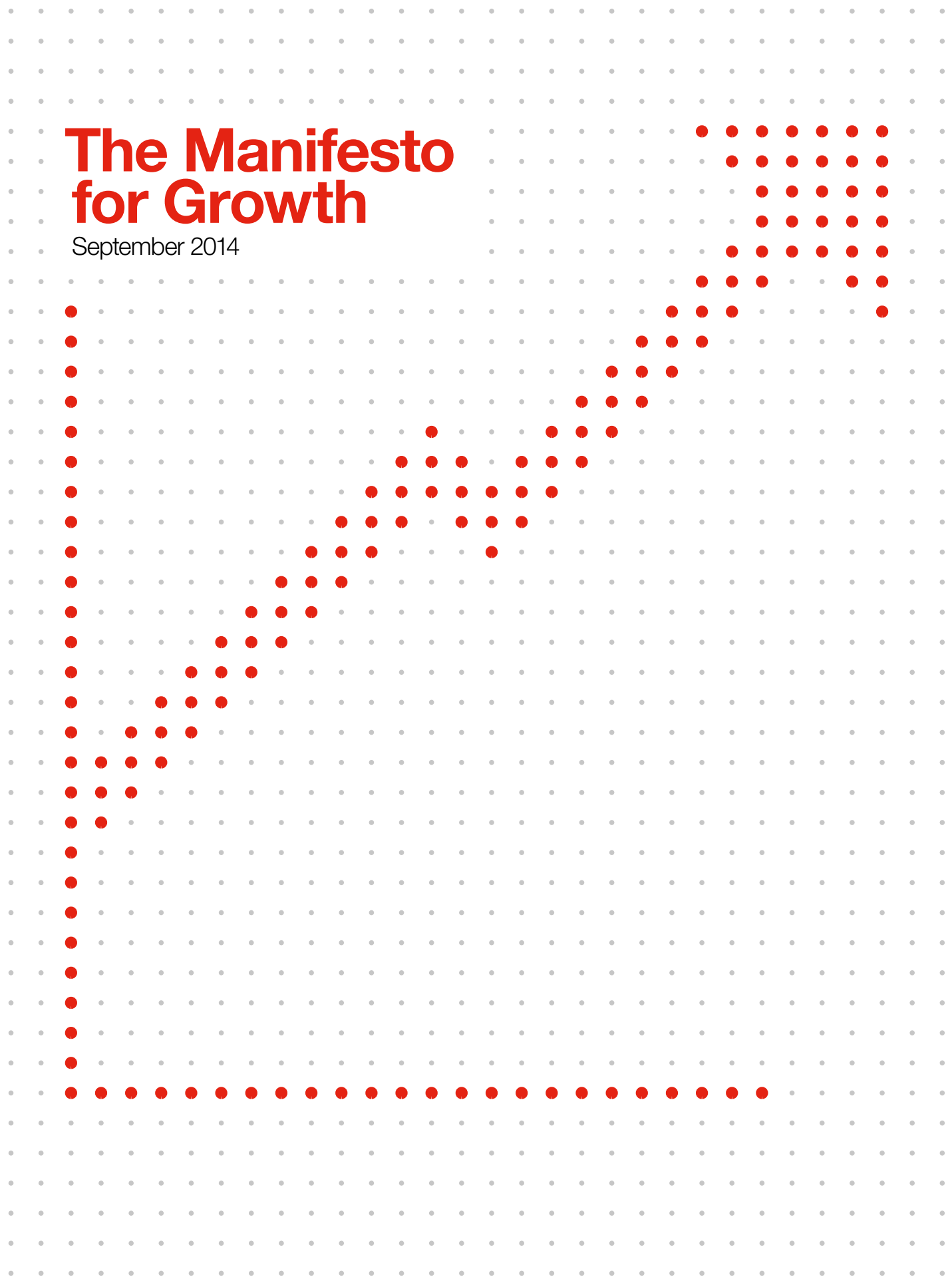


The Manifesto for Growth

September 2014



About Pact

The Producers Alliance for Cinema and Television (Pact) represents the commercial interests of the UK's independent television, film, animation and digital producers.

These companies make some of the most commercially and creatively successful TV programmes, films and interactive content in the world.

Welcome

During my tenure as Chair of Pact, the independent production sector has continued to grow year on year – breaking the £3bn threshold in 2014.

Pact's core purpose is to provide services and support to independent producers (indies) and to campaign for the best regulatory and legislative environment for the sector to grow.

To me, the key word here is growth. The UK TV sector continues to punch above its weight in the global market, which is now worth over \$400 billion.

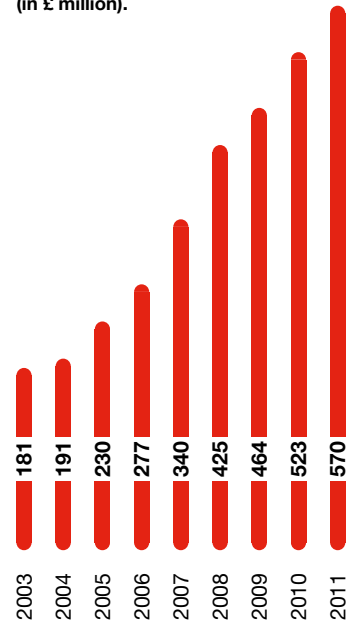
Since 2003 - when Parliament enacted a carefully crafted piece of legislation which enables UK indies to own their rights, and consequently access capital from a range of different sources, the sector has grown by almost 7 per cent per year. As a result, the UK is now the second biggest exporter of TV content in the world, behind only the USA. As the Managing Director of a UK independent production company myself, I have seen first-hand how hungry international buyers are for UK content.

2015 is a very important year for us. With the general election looming and two major regulatory reviews on the horizon, it is crucial that we in the industry continue to work closely with policy-makers to ensure that British independent TV, film and digital content producers can retain their positions as world-leaders in the provision of high-quality, innovative, original content that delivers growth to the UK economy.



Debbie Manners
Chair, Pact Council &
Managing Director, Keo Films

Growth in UK TV exports since the introduction of Terms of Trade (in £ million).



Source: A decade of success, a report for Pact by Oliver & Ohlbaum Associates, July 2013

Introduction

I have been CEO of Pact for over a decade and during this time, the sector has changed beyond recognition.

As a result of timely policy interventions by a series of Governments, the UK has a unique ecology in which broadcasters are able to deliver the best quality content on-screen, despite economic pressures.

Independent producers work hard to create and sell valuable IP around the world in order to bring new money into the UK broadcasting sector and deliver value for British audiences.

We are very successful, but we cannot be complacent. The economic pressures on UK broadcasters are continuing and indies are increasingly having to find additional sources of revenue to get projects on-screen. At Pact, we are here to help our members do the jobs that they do best by focussing on four key areas:

- Ensuring optimal conditions for growth in the domestic market;
- Supporting international trade;
- Facilitating innovation; and
- Encouraging diversity, training and skills.

These core values lie at the heart of everything that we do at Pact. But it is only by working with policy-makers in Parliament, Government and regulatory bodies that we can ensure that the optimal circumstances for growth in this sector continue.

Ahead of the next General Election, this manifesto sets out how we will support our members in growing their businesses over the coming years. Provided that adequate protections continue to be afforded for UK rights holders, I am convinced that the UK independent TV sector, with its strong track-record of generating revenue from UK IP, will continue to lead the world both creatively and economically.



John McVay
Chief Executive, Pact

The year in numbers

£40m

Estimated UK spend from the 14 productions which the BFI has issued interim cultural test certificates for in animation in H1 2014 *Source: BFI*

£3bn

The size of the UK independent TV sector in 2013

£353,500

Worth of UKTI export grants distributed by Pact to facilitate access to markets for SMEs. In 2013 Pact led delegations to 11 global TV markets

£939m

Indie sector international revenues in 2013 (31% of total sector revenues)

£79m

UK spend from 13 high-end TV programmes which received final certification by the BFI under the cultural test in H1 2014 (23 interim certificates were issued) *Source: BFI*

Ensuring optimal conditions for growth in the domestic market

The UK independent production sector is founded on free-market principles of fair competition and the need to protect intellectual property.

A decade on from the 2003 Communications Act, section 285 on programme commissioning remains a relevant and efficient piece of legislation. It was carefully crafted by Parliament in order to address an imbalance in the market whereby the buyer power of the public service broadcasters was (and remains) significant. However the legislation was drafted in such a way so as to ensure that it was sufficiently flexible as to allow for changes over time.

As a result of limited interventions in the market, the UK broadcasting ecology offers a unique environment in which to do business. The UK PSBs – the BBC, ITV, Channel 4 and Five – continue to be the biggest investors in UK original content, accounting for over £1.6m of UK indie sector revenues in 2013.

Our key aims for 2014/15 are:

- To protect the Terms of Trade, which underpin a £3bn TV production sector.
- To campaign for BBC in-house production to be opened up; delivering benefits to licence fee payers and the UK economy.
- Secure a tax credit for UK children's live action TV programming, worth an estimated £2.9m to the UK economy.

Pact will:

- Negotiate with UK broadcasters as required to ensure that the Terms of Trade remain fit for purpose.
- Make the case for the BBC to open up to greater competition by becoming a publisher broadcaster, which could generate a value boost to the UK creative economy of £575m (net present value).
- Engage with the Ofcom (PSB) review to ensure that the best regulatory framework continues to

be in place in order to facilitate growth in the sector.

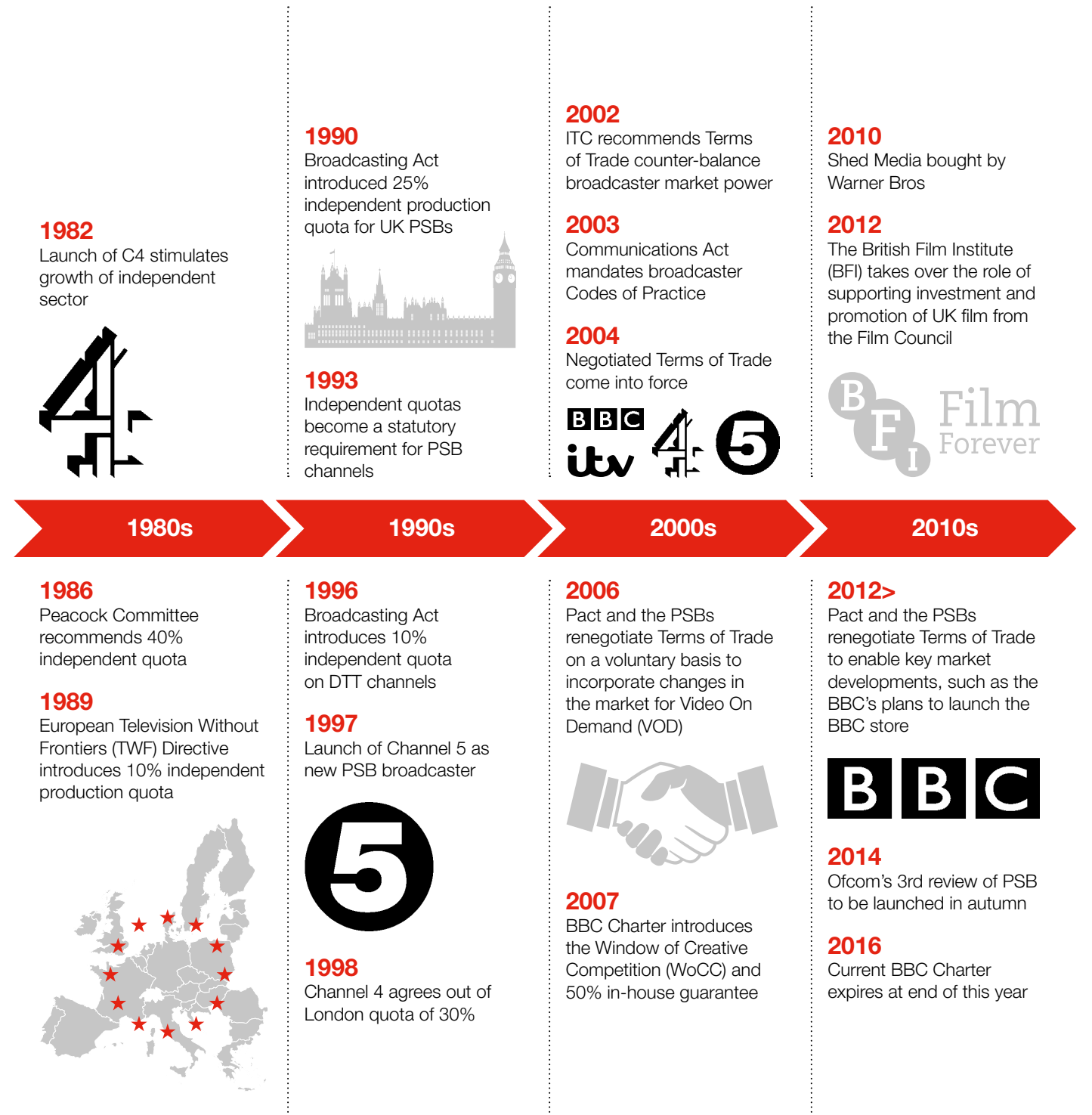
- Support the BBC's calls for an increase in the licence fee at the time of the next settlement.
- Focus on the needs of independent producers in the nations and regions of the UK, including the potential implications of the independence referendum in Scotland for independent producers across the UK.
- Continue to support the full implementation of the Smith review's recommendations for the future of British film.
- Continue to work with the UK and Scottish Governments to update and implement changes to legislation which protects children who participate in TV and film production.
- Extend the creative sector tax reliefs to include live action children's programming.

What the next Government can do:

- Protect section 285 of the Communications Act which enables UK producers to bring investment back into UK content.
- Protect (and increase) the BBC licence fee and open up the BBC to make it more competitive as a publisher broadcaster under the next Charter.
- Ensure that there is a co-ordinated approach to supporting the independent TV, film and digital media sector across all Government departments and public bodies.
- Ensure that the system of UK public support for and investment in original British film production is maintained via the BFI and lottery funding.

14

The number of categories in which UK independent producers won TV Baftas in 2014



International trade

The UK is a world-leader in TV production. The estimated total revenue for UK TV programmes and associated activities in 2012 was £1.2bn.

British formats are in particularly high demand, generating the largest portion of international revenues back to the UK TV production sector.

Pact is a UK Trade & Investment (UKTI) accredited trade organisation (ATO). As such, we organise and distribute public grants for UK Small and Medium Enterprises (SMEs) to attend international trade markets.

A direct correlation can be seen between a growth in UKTI support for UK businesses to access international markets, and UK TV exports. It is therefore very important that SME market funding is maintained, and where possible, increased.

Our key aims for 2014/15 are:

- To double UK TV exports to the ABACUS territories by 2018. These are:
 - A - Africa
 - B - Brazil / Latin America
 - A - Australasia
 - C - China (TV exports grew 90% in 2012)
- US - the USA (the UK's biggest export market, generating revenues of £465m in 2012).

- To continue to support year-on-year increases in UK TV exports by facilitating and supporting access to markets for SMEs.

Pact will:

- Although European markets will remain important, we see the main opportunities for growth in our sector in the ABACUS territories.

- Our aim is to double exports of UK TV content to the ABACUS territories to £1.2bn by 2018 (of which we expect the USA and Australasia to remain the biggest markets).

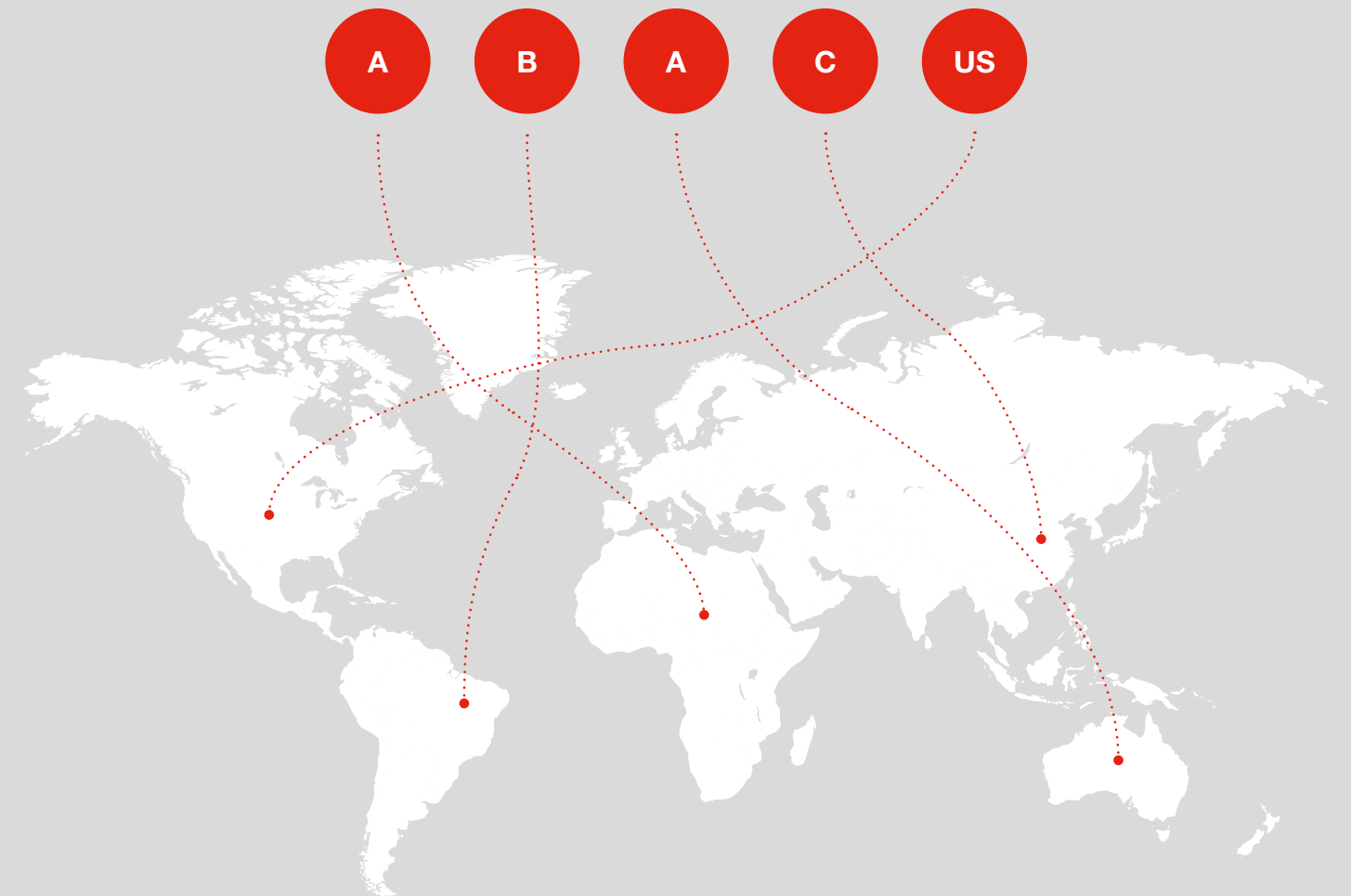
- We will continue to support opportunities for UK SMEs to attend international trade markets and missions. Last year, Pact led UK delegations to 11 markets across 5 continents. This, together with our UK-based activities such as seminars and workshops, generated £70.9m of potential business to UK TV production companies.

What the next Government can do:

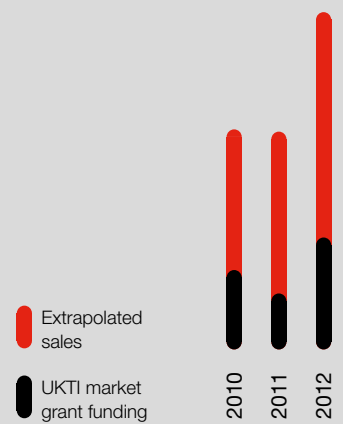
- Commit to continuing support for Trade Access Programme (TAP) grants to enable UK SMEs to attend international trade markets. It is important that limited public funds are used to generate the maximum return by enabling SMEs to sell their IP internationally. If British producers don't take the lead in new TV markets, others will.
- Endeavour to work with foreign governments to ensure that all official co-production treaties (whether existing or those recently entered into) include all audiovisual content, rather than being limited to the film industry.
- Work with foreign governments through the network of IP attachés to advise and support foreign governments to ensure that adequate protections are in place overseas to protect UK IP in international markets.
- Ensure that the creative industries - a sector worth £7.4bn - are always represented on senior diplomatic trade missions.

£475m

The USA was the biggest export market for UK TV content, accounting for £475m worth of trade. Australasia accounted for £103m. (2012)



Predicted market sales (based on survey information from Pact members) versus grant funding received (from UKTI only).



Innovation

Independent producers are at the forefront of innovation in creating new ways for audiences to engage with their content.

Independent TV production sector revenues have grown by almost 7% year on year since the introduction of the Terms of Trade in 2004. We believe that this success could be replicated in the digital content sector (estimated by National Institute of Economic and Social Research to be worth approximately £5m) if producers could retain the rights similar to those for TV for digital content.

One of the reasons that international companies want to do business in the UK is because of our IP regime, it's why we're the world leader at exporting TV formats. It is important that the next Government continues to protect this structure for the next generation of British content creators.

Our key aims for 2014/15 are:

- To secure Terms of Trade for digital content producers.
- To continue to develop trade links between UK producers and international markets in innovative, cost-effective ways.

Pact will:

- Continue to campaign for Terms of Trade for digital content produced by independent producers for the PSBs and for the BBC to extend the external production guarantee for online content which it commissions. The success of indies owning their TV rights is clear, and there is a case for this to be extended to include digital content.
- Extend the reach of the Pact commissioning app to the ABACUS territories, which improves communication between independent producers and buyers of content in the UK and in the USA.

– Continue to promote the UK Indies app in international markets as an international virtual market place for UK TV content. To date, the UK commissioning app is being used by commissioners in 63 countries who are trying to find UK independent production companies.

– Continue to work with UK broadcasters to facilitate their ability to deliver content to audiences on a range of different devices and platforms. For example, Pact has worked with the BBC to negotiate standard deal terms for BBC store, which is due to be launched next year.

– Continue to participate in the Creative Coalition – a pan-industry body promoting the success of the UK creative industries across Government.

– Share best practice with other industry trade bodies. For example, Pact has white label licensed the UK Indies application free of charge. Two other UK trade bodies have since launched similar apps and several others are in development.

What the next Government can do:

- Ensure the best copyright framework for retaining IP and supporting growth in the UK.
- Think of innovative ways in which to support further growth in the creative sector – for example, by introducing a 3 year exemption on Capital Gains Tax for start-up creative businesses.
- Protect the successful copyright framework for retaining IP and supporting growth in the UK, including during discussions on amending the European Copyright Directive and in the EU/US free trade negotiations.

203%

In 2013, there was a 203% year-on-year increase in sector revenues from new digital content



Diversity, training and skills

It is important that TV and film should reflect the unique, diverse cultural fabric of British society. Parliament's rationale for protecting certain PSB purposes is to reflect the varied tastes and interests of all UK viewers.

UK indies are at the heart of developing content and services which meet audience demands.

Our key aims for 2014/15 are:

– Develop further opportunities for new talent from a range of backgrounds to enter the TV sector through continued support for the indie diversity scheme; and by working on initiatives with industry partners such as Creative Skillset and the Creative Diversity Network (CDN).

– Continue to promote diversity of access, opportunity and portrayal in the TV sector, both on and off screen.

Pact will:

– Continue to promote diversity in the sector, both on and off screen – working with the Creative Diversity Network (CDN) and broadcasters on pan-industry diversity monitoring.

– Continue to support PSB nations and regions quotas.

– UK indies already invest over £40m per annum on on-the-job training to nurture and develop the next generation of creative talent. We will work with our members to facilitate the development of further opportunities to facilitate access and support talent in our sector.

– Continue to Chair the CDN production working group.

What the next Government can do:

– Support industry initiatives to develop training opportunities for those working in the TV and film sectors, including via match funding for the skills investment fund, which producers pay into if they benefit from the creative sector tax reliefs.



Pact Indie Diversity Scheme Trainees

£40m

£40m – amount spent on training by UK indies in 2013

Summary

Here are our proposals to the next Government which we believe would support continued growth in a sector which has a strong track-record of delivering economic growth. Which will you pledge to do?

Ensuring optimal conditions for growth in the domestic market:

- Ensure that the regulation which underpins the success of the UK TV sector is protected from changes which could harm the ability of UK producers to bring investment back into UK content.
- Support an increase in the BBC licence fee and calls for the BBC to open up to greater competition in programme supply.
- Ensure that there is a co-ordinated approach to supporting the independent TV, film and digital media sector across all Government departments and public bodies.
- Ensure that the system of UK public support for original British film production is maintained.
- Extend the creative sector tax reliefs to include live action children's programming.

Supporting international trade:

- Commit to continuing support for Trade Access Programme (TAP) grants to enable UK SMEs to attend international trade markets.
- Endeavour to work with foreign governments to ensure that all official co-production treaties include all audiovisual content, rather than being limited to the film industry.

- Work with foreign governments through the network of IP attachés to advise and support foreign governments to ensure that adequate protections are in place overseas to protect UK IP in international markets.

- Ensure that the creative industries are always represented on senior diplomatic trade missions.

Promoting innovation:

- Ensure the best copyright framework for retaining IP and supporting growth in the UK.
- Consider innovative ways of promoting growth in the creative sector – for example, by introducing a 3 year exemption on Capital Gains Tax for start-up creative businesses.
- Protect the successful copyright framework for retaining IP and supporting growth in the UK, including during discussions on amending the European Copyright Directive and in the EU/US free trade negotiations.

Facilitating diversity, training and skills:

- Support industry initiatives to develop training opportunities for those working in the TV and film sectors.

Contact us

Pact
3rd Floor, Fitzrovia House
153-157 Cleveland Street
London
W1T 6QW

Telephone:
+44 (0)20 7380 8230

Website:
www.pact.co.uk

Twitter:
@PactUK

