



PACT policy survey and financial census 2009

Summary of results - May 2009

A report by Oliver & Ohlbaum Associates Ltd for PACT



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Summary

Headlines from the 2009 census



Growth continues, but harder times ahead...

The 2009 census suggests that the independent production sector continued to grow in 2008, albeit at a much slower rate than in previous years

Growth came from an increased share of commissions (especially from the BBC WOCC), UK and overseas rights income, and overseas commissions

Profitability has stalled as rights income growth is countered by the pressure on primary prices

The UK independent sector remains heavily dependent on the 4 main terrestrial broadcasters for commissions

Independent producers are now contributing between £160m and £190m to programme investment

A majority of companies responding to the survey expect revenues and profits to decline in 2009/10

UK independent production sector continues to grow

- The UK independent production sector maintained positive growth during 2008, though the headline increase was only 1.1%
- Sector growth was driven by an increasing share of commissions from the BBC (growing share of the WOCC), growth in UK and overseas rights income, and strong levels of overseas commissions (54% of respondents have had at least one overseas commission during 2008)

Profitability has stalled

- Sector average profitability stalled in 2008, with growth in rights income offset by pressure on primary commissioning prices
- Rights income now makes a significant contribution to overall profits, representing a weighted average of 21% of profits amongst survey respondents

Independents still heavily dependent on 4 UK commissioners

- The 4 major UK terrestrial broadcaster groups represent an estimated 79% of UK TV primary commissioning revenues for the independent sector

Independent producers contributing more directly to programme investment

- The total contribution of the UK independent production sector to programme budgets is estimated to have been worth between £160-190m in 2008
- Drama productions have the greatest need for gap finance contributions, with survey respondents estimating that 42% of Drama strands required this source of additional funding to proceed

Companies expect revenues and profits to decline in 2009/10

- The prospects for the next 3 years are mixed, with a majority of respondents expecting overall sector revenues and profitability to decline further
- Respondents believe that this decline will be driven by reducing commission volumes and prices, alongside a growing demand for gap finance
- More positively, the sampled producers also thought that rights income would continue to grow in the next 3 years, and that new media revenues would also expand

Summary

Approach and methodology



Now in its fourth year, the PACT financial census has been supplemented in 2009 with an online policy survey of senior industry managers and owners...

The PACT financial survey is now in its fourth year, canvassing companies from across the breadth of PACT's membership including television, film and interactive producers.

The census was conducted between March and April 2009, with the data gathered representing the 2008 financial year for independent producers.

Reflecting the ongoing consolidation of the sector, the 2009 census received 76 responses, representing £1.4bn of turnover and approximately 65% of total industry revenues.

Alongside the 2009 census, a separate online policy survey was commissioned during February 2009 to assess industry responses to current trading conditions, policy suggestions and prospects for the future of the sector.

PACT 2009 financial census

- The PACT financial census has been conducted annually since 2005 and is now in its fourth year
- The purpose of the census to build an estimate of the size and performance of the UK independent production sector from a representative sample of company responses
- Previous periods covered by the census are for the financial years 2004, 2006 and 2007
- The 2009 census covers data from the 2008 financial year, typically ending in December 2008
- The full PACT membership, including subsidiaries of group companies, were sent a spreadsheet-based census form to complete in March 2009, with responses received through to the end of April 2009
- Completed responses were received from 76 companies, representing £1.4bn in turnover (an estimated 65% of the total industry by turnover)
- Responses were up-weighted based on a segmentation of companies by turnover band

PACT 2009 policy survey

- The 2009 policy survey was conducted for the first time this year and was designed to capture senior-level industry views on:
 - The performance of the independent sector in 2008/09
 - The prospects for the sector over the next 3 years
 - The potential policy options currently being debated by the industry and the various Digital Britain working groups
- The policy survey was delivered as an online survey in conjunction with Fly Research, and distributed to senior contacts across PACT's membership base during February 2009
- Completed responses were received from 76 companies, representing an estimated £1bn of industry turnover
- Responses are an average of the responses received and are not up-weighted

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Revenue growth and profitability

Summary



Sector turnover rose, but growth has slowed significantly and profits have stalled during 2008...

The 2009 census results suggest that the independent production sector continued to grow for the fourth year running.

However, the rate of growth has slowed significantly in 2008, with headline sector growth of just 1%

The headline size of the UK independent production sector in 2008 is estimated to be £2.16bn

Growth has been mainly driven by an increased share of commissions, especially from the WOCC, along with further growth in UK and overseas rights and overseas commissions

Profitability has not been increasing, as rights income growth is countered by pressure on primary commissioning prices and a trend towards more gap funding requirements on producers

Rights income is making an increasingly significant contribution to profits

Headline market growth has slowed in 2008

- The UK independent production sector has grown by 1.1% in nominal terms since the last census and total TV income has increased by only 0.5% compared with a CAGR of 6.3% over the past 4 years
- TV income remains the foundation of the UK independent sector, representing an estimated 88% of total industry revenues in 2008
- The overall size of the UK independent production sector is thought to be £2.16bn in 2008

Rights income and international trade driving growth

- While growth in UK primary commissions has slowed to 1.1% CAGR in nominal terms, UK rights income and International TV income have grown strongly within that headline figure
- UK rights income has continued its strong growth trajectory, growing at a compound annual growth rate (CAGR) of nearly 15% between 2004 and 2008 and by 22.5% in 2008
- International TV income (comprising overseas commissions and rights, but excluding the sale of finished UK programmes overseas) grew by 4.2% in 2008

Corporate and new media revenues grow strongly

- Though growth in non-TV revenues has slowed, corporate and new media revenues within this category of spend have grown significantly in 2008
- New media revenues remain small overall at an estimated £66m in 2008, but experienced growth of 72% during the year when compared with previous census results

Industry profitability has stalled

- Overall industry profitability has declined slightly in 2008, with companies in the £1-5m and over £50m segments bearing most of this fall
- Rights income is now making an increasingly significant contribution to profits
- The weighted average proportion of profits accounted for by ancillary and secondary rights is around 21 per cent, though this average increases substantially for larger indies
- Overall, average net margins have fallen slightly from a high of 9.3% in 2007 to an estimated 8.2% in 2008
- The change in average net margins appears most significant at companies in the £1-5m and over £50m turnover bands, possibly reflecting the combined impacts of pricing pressure, increased delays or postponements, and an increasing requirement to provide gap finance amongst the larger indies

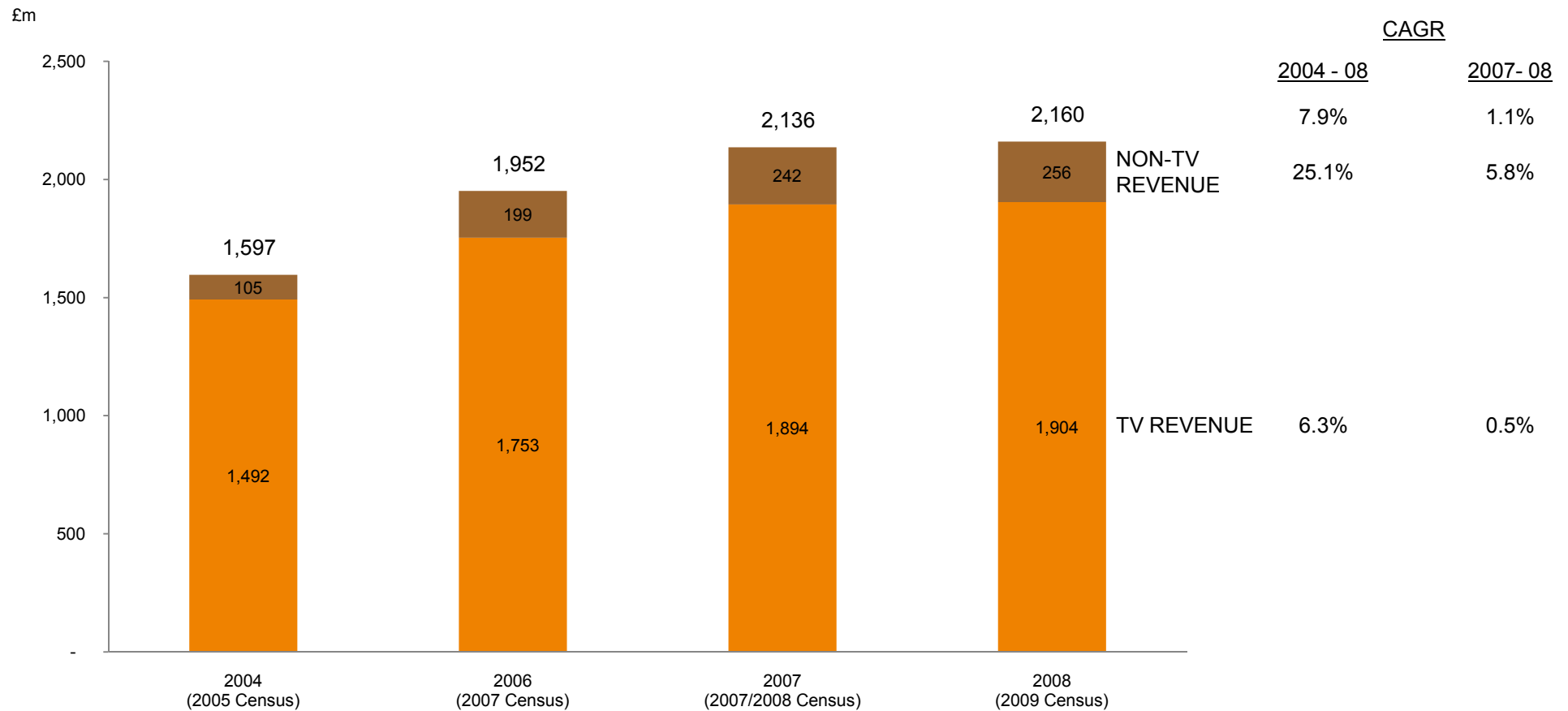
Revenue growth and profitability

Headline market growth has slowed in 2008



The sector has grown by 1.1% in nominal terms since the last census and total TV income has increased by only 0.5% compared with a CAGR of 6.3% over the past 4 years...

Independent Producer Revenue Broken Down by TV and Non-TV Activities



Source: Oliver & Ohlbaum analysis, PACT census

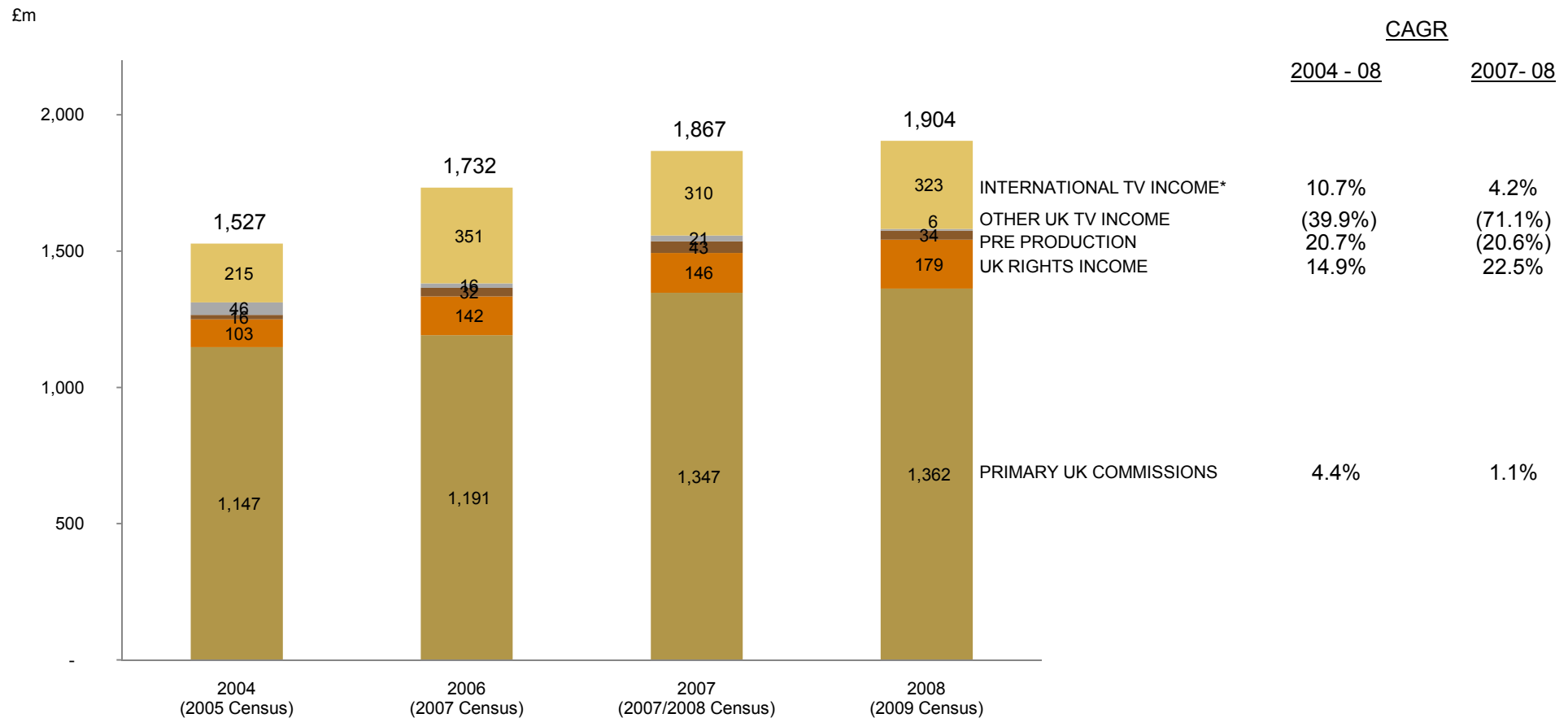
Revenue growth and profitability

Rights income and international trade driving growth



While growth in UK primary commissions has slowed to 1.1% CAGR in nominal terms, UK rights income and International TV income have grown strongly within that headline figure...

Independent Producer TV-Related Revenues



Note: International TV Income includes Pre-production, primary commissions and rights income
 Source: Oliver & Ohlbaum analysis, PACT census

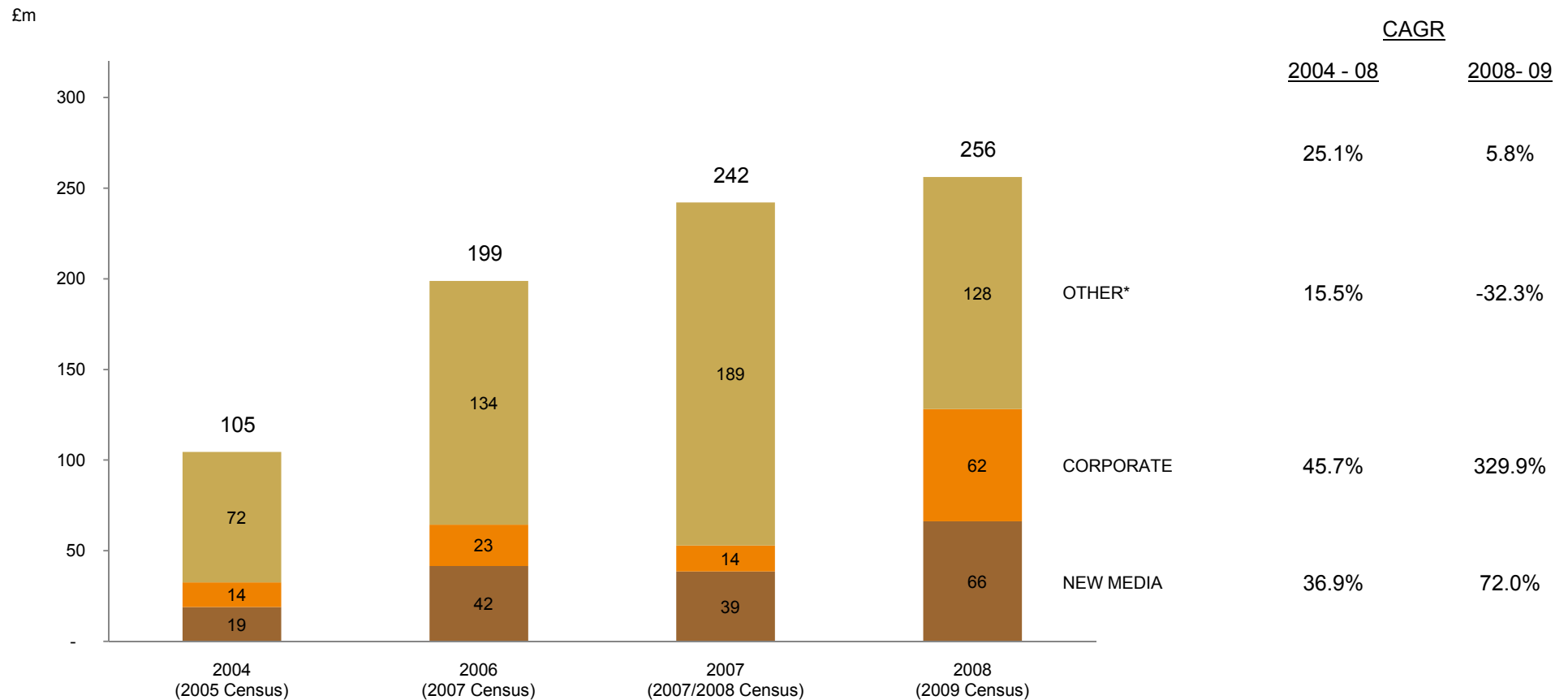
Revenue growth and profitability

Corporate and new media revenues grow strongly



Though growth in non-TV revenues has slowed, corporate and new media revenues within this category of spend have grown significantly in 2008...

Break Down of Non TV Revenue



Note: 'Other' includes Online Publishing, Talent Management, Promotions and Public Relations.
 Figures are particularly sensitive to specific company performance and M&A activity
 Source: Oliver & Ohlbaum Analysis, PACT census

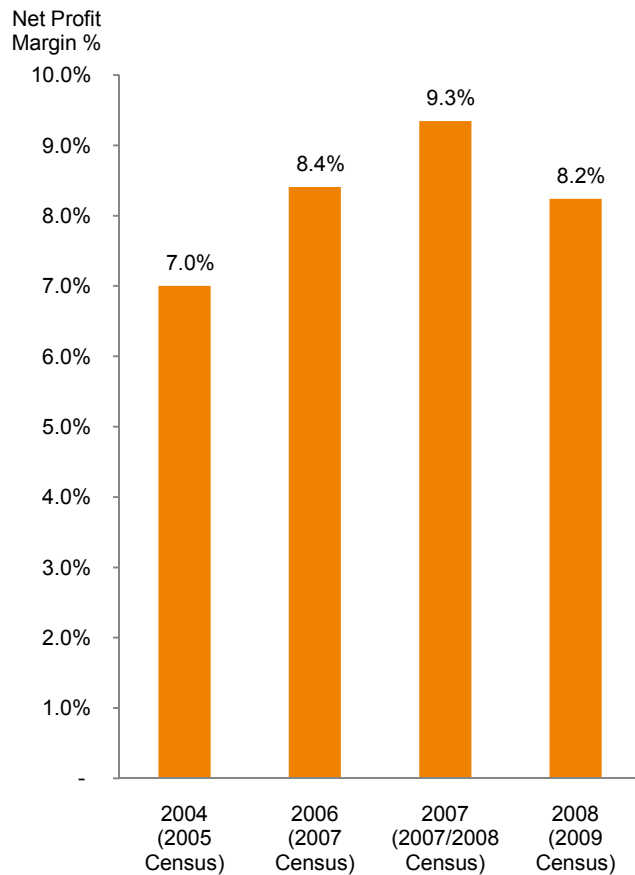
Revenue growth and profitability

Industry profitability has stalled

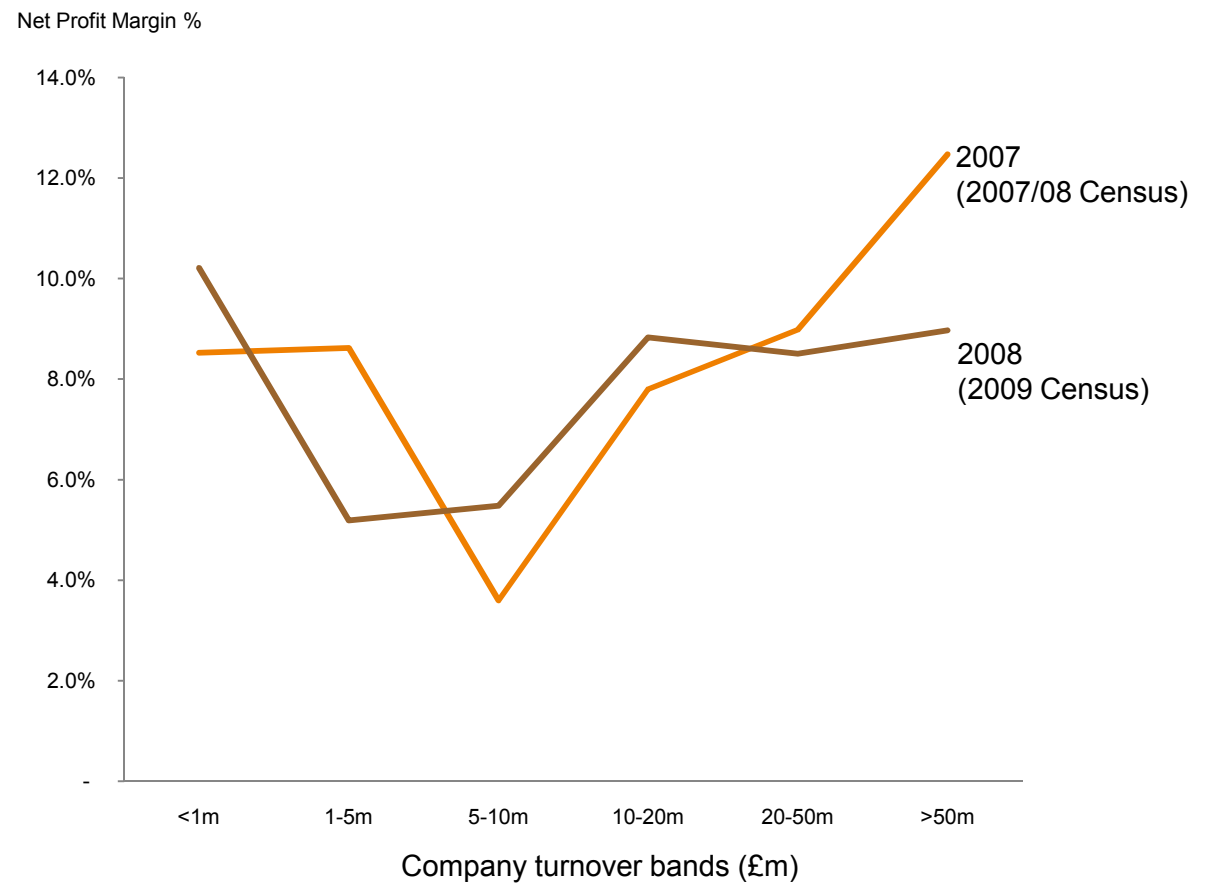


Overall industry profitability has declined slightly in 2008, with companies in the £1-5m and over £50m segments bearing most of this fall...

Net margins, 2008



Distribution of industry profitability by company turnover band



Source: Oliver & Ohlbaum analysis, PACT census

Revenue growth and profitability

Secondary and ancillary rights are important



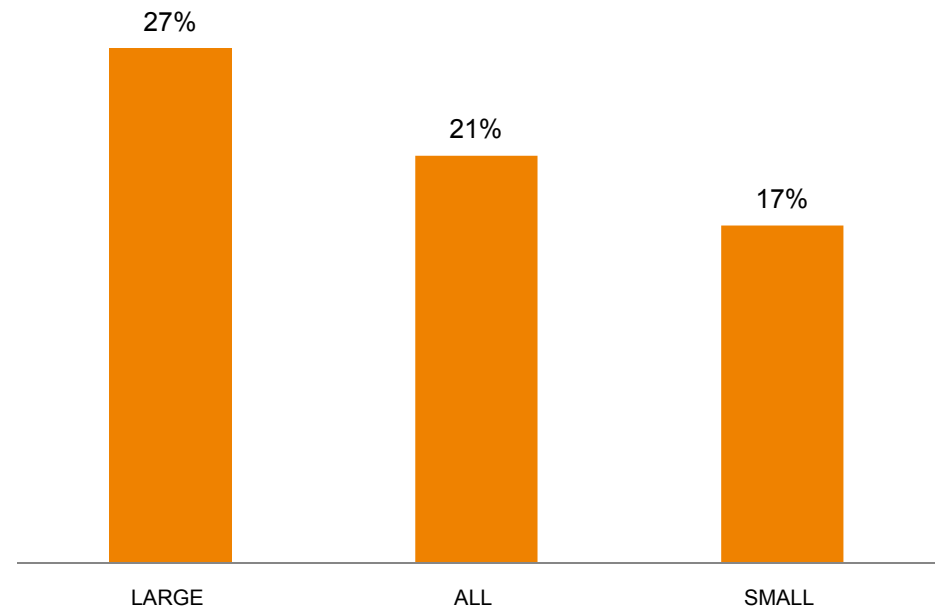
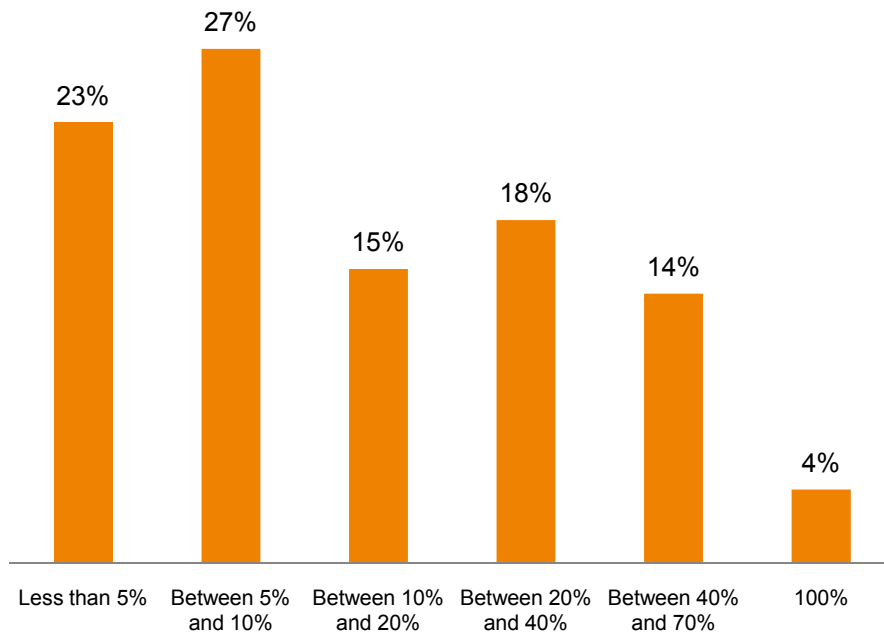
The weighted average proportion of profits accounted for by ancillary and secondary rights is around 21 per cent, though this average increases substantially for larger indies...

What proportion of your profits does ancillary and secondary rights exploitation account for?

Proportion of profits accounted for by ancillary and secondary rights exploitation – weighted average by producer size

% OF ALL RESPONDENTS

WEIGHTED AVERAGE



*Large producers defined as producers with revenues greater than £5m; 'small' defined as producers with a revenue of less than £5m
Source: PACT policy survey 2009, O&O analysis

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- Drama remains the leading Indie genre in terms of spend
- New media commissioning budgets are growing

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UK commissioning

Summary



The independent sector is still dependent on the 4 main terrestrial networks for most of their income...

The 2009 census suggests that the independent sector is still dependent on the four main terrestrial PSB commissioning organisations for most of their income

New media and independent thematic channel commissioning has grown strongly during 2008, but remains small overall

Smaller Indies appear to be gaining a greater share of business from the BBC and, to a lesser extent, multichannel commissioners

ITV and Five place more of their external commissioning spend in new programme commissions than their other terrestrial PSB counterparts

Drama remains the largest externally commissioned genre

Commissioning rates for new media projects appear to be rising, with half of commissions priced at over £50k per hour

Four main terrestrial networks continue to dominate

- The four main terrestrial network groups accounted for an estimated 79% of UK TV primary commissions to the independent sector in 2008, down slightly on the previous year
- New media and other multichannel TV commissioning have grown strongly in 2008, though remain small overall at £66m and £208m respectively

Smaller indies are winning a greater share of spend from the BBC and multichannel broadcasters

- Large Indies (i.e. those with annual turnover greater than £100m) are estimated to have received 67% of ITV's external commissioning spend in 2008
- Similarly, large Indies are estimated to have received 52% and 50% of 2008 external commissioning spend from Channel 4 and Five respectively
- The BBC family of channels has the greatest share of external commissioning spend distributed amongst Indies under £100m in turnover

ITV and Five place more of their external spend in new commissions than other terrestrial broadcasters

- ITV and Five are both estimated to spend 47% of their external commissioning budgets on new commissions, while this figure drops to between 32-25% for other terrestrial broadcasters

Drama remains the largest externally commissioned genre

- Drama programming represented an estimated 40% of UK TV commissioning spend in 2008, followed by Entertainment and Factual Entertainment as the largest categories (together a combined 77% of spend)
- The proportion of spend on Factual programming appears to have suffered the greatest decline in 2008, falling from 15% of spend in the 2007 census to an estimated 9% in 2008

Half of new media commissions are now achieving rates of over £50k per hour

- 30% of new media commissions are now receiving between £50-100k per hour from commissioners, while a further 20% are receiving between £100-200k per hour
- The growth in the value of new media commissions is an important factor in the growth of this segment overall

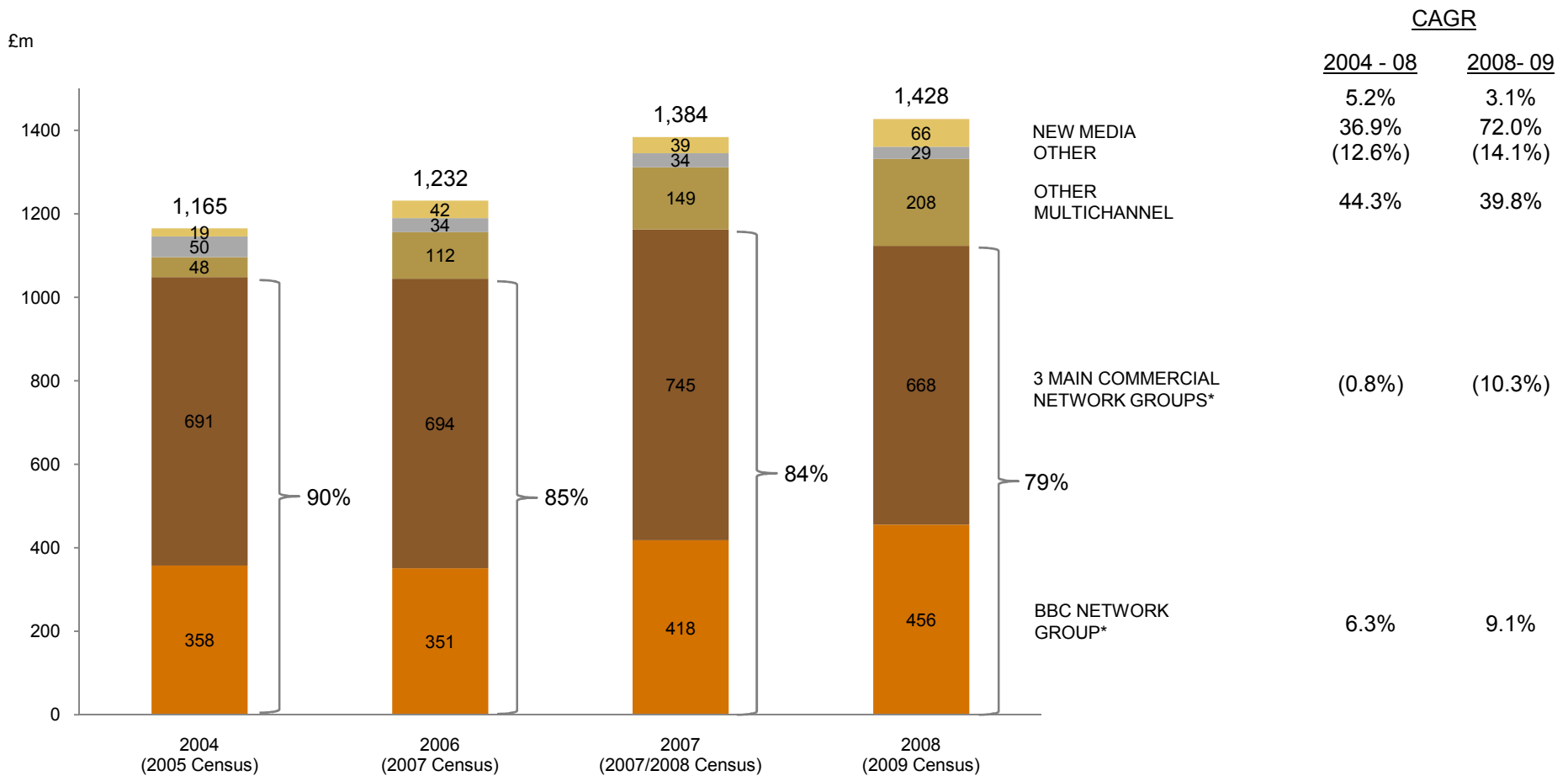
UK commissioning

Four main network groups still dominate primary commissioning



The four main terrestrial network groups (the BBC, ITV, C4 and Five plus their spin-offs) accounted for an estimated 79% of UK TV primary commissions to the independent sector, down slightly on the previous year...

Value of UK Commissions by Broadcaster (Including new media)



Source: Oliver & Ohlbaum analysis, PACT census
 * Includes spin-off channels

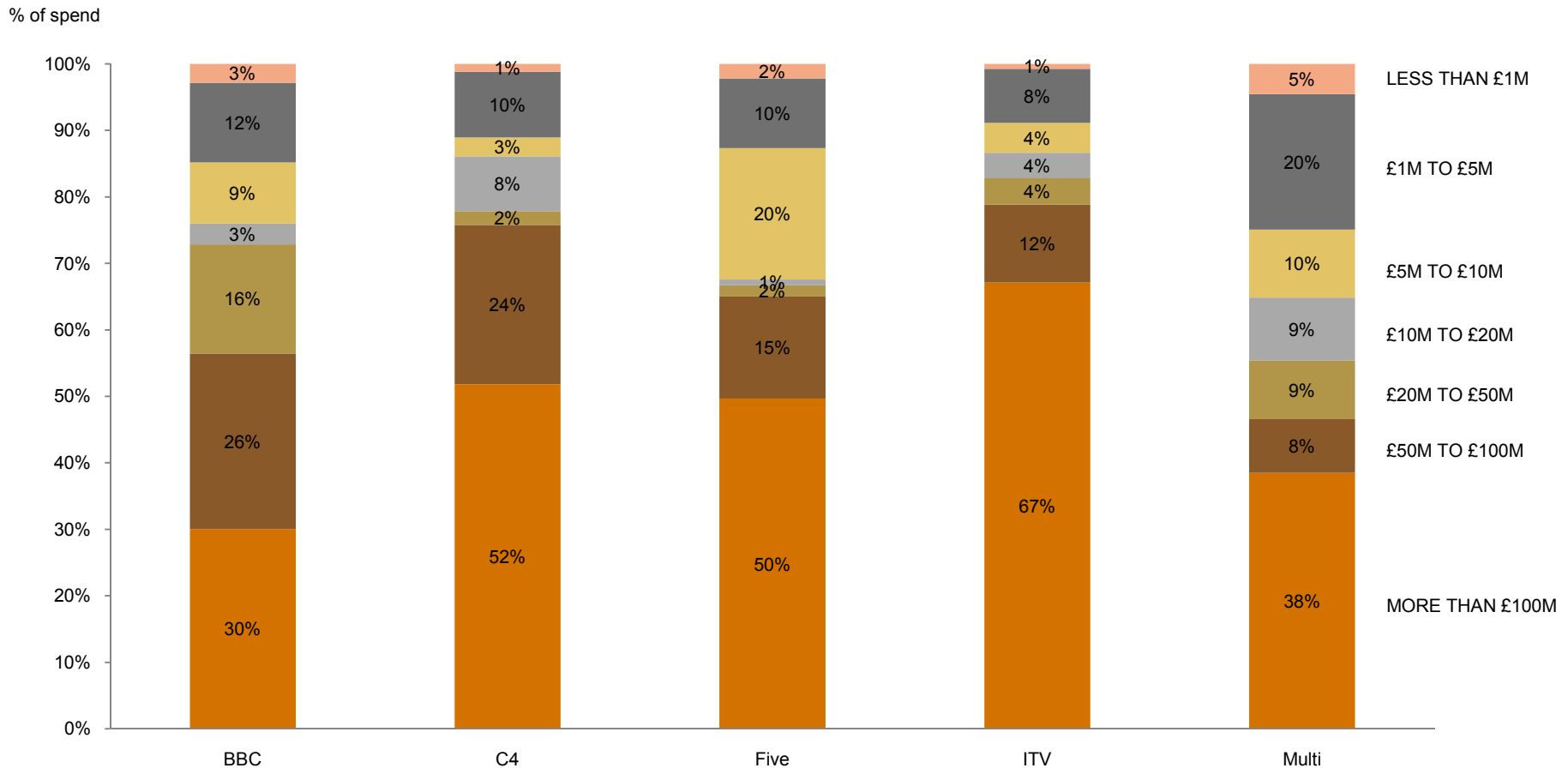
UK commissioning

The BBC has the greatest mix of Indies by size



The BBC network channels and multichannel broadcasters have the broadest mix of Indies by turnover band within their external commissioning spend...

External Commissions by UK Broadcaster split by Company Turnover Band



Source: Oliver & Ohlbaum Analysis, PACT census

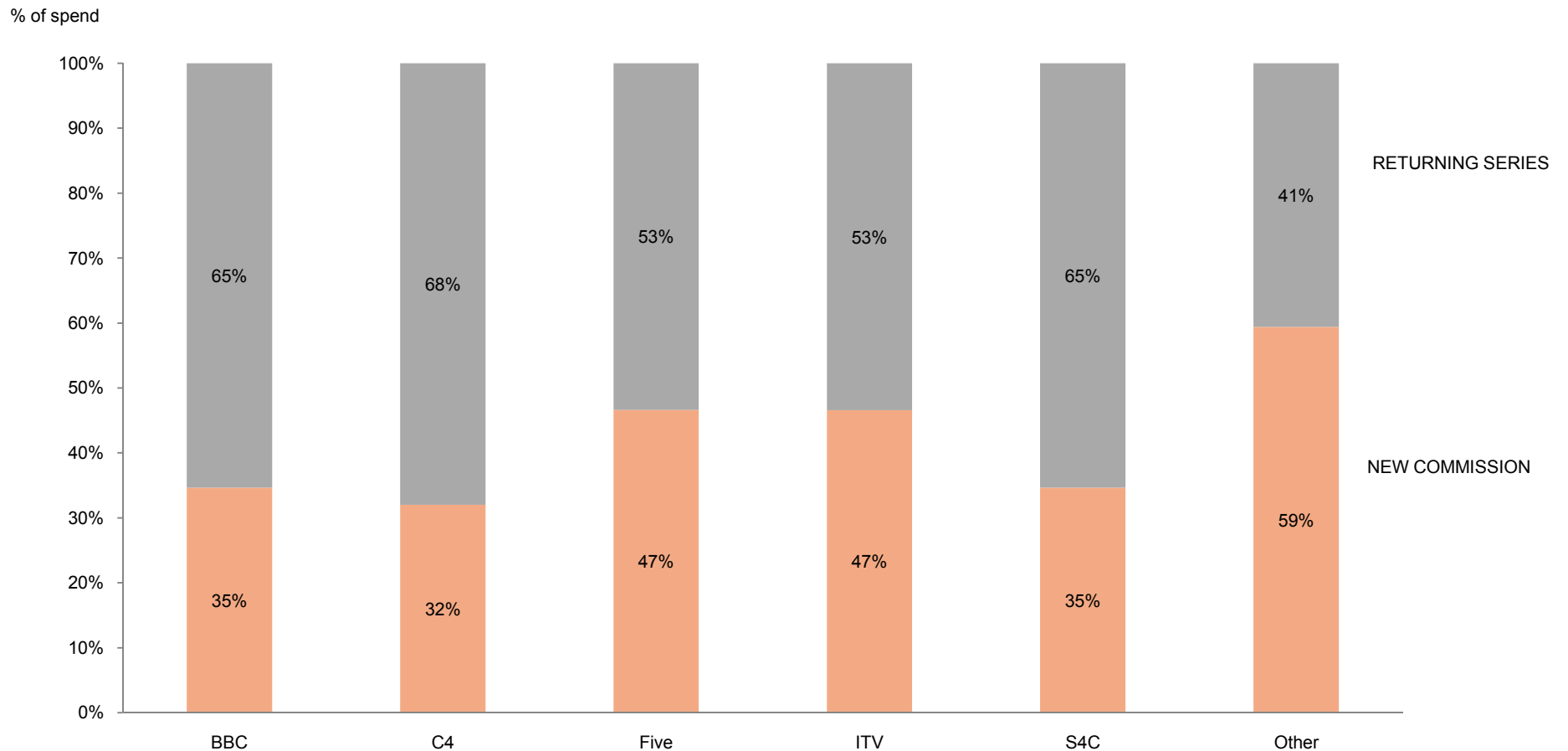
UK commissioning

ITV and Five have the highest proportion of new commissions



ITV and Five have been spending a higher proportion of their external commissioning money on new programming than their other terrestrial counterparts...

UK Commissions Value by Broadcaster- New Commissions and Returning Series



Source: Oliver & Ohlbaum Analysis, PACT census

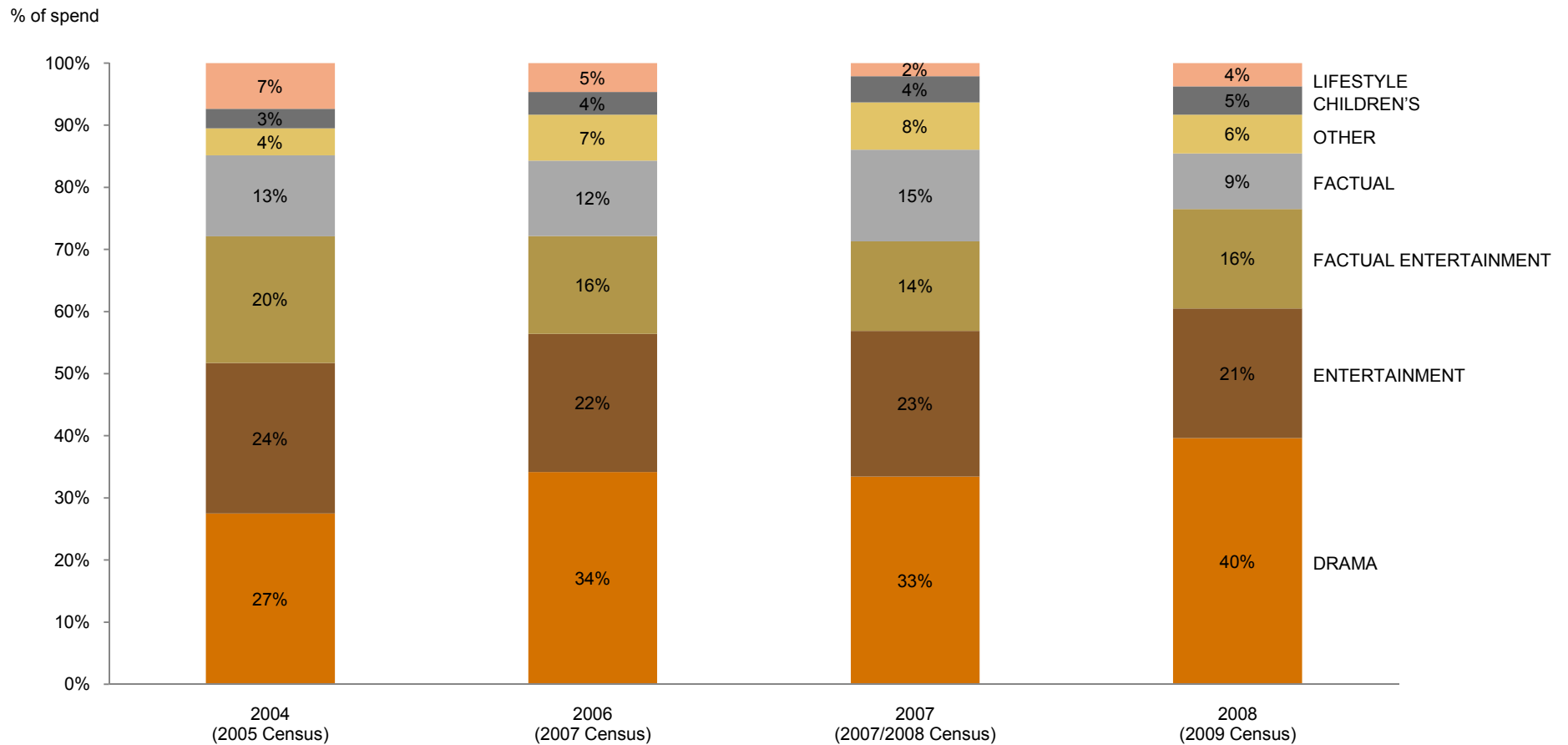
UK commissioning

Drama remains the leading Indie genre in terms of spend



Drama remains the largest externally commissioned genre by value, followed by Entertainment and Factual Entertainment...all three combined representing an estimated 77% of external commissioning spend...

Value of UK Commissions by Genre



Source: Oliver & Ohlbaum Analysis, PACT census

UK commissioning

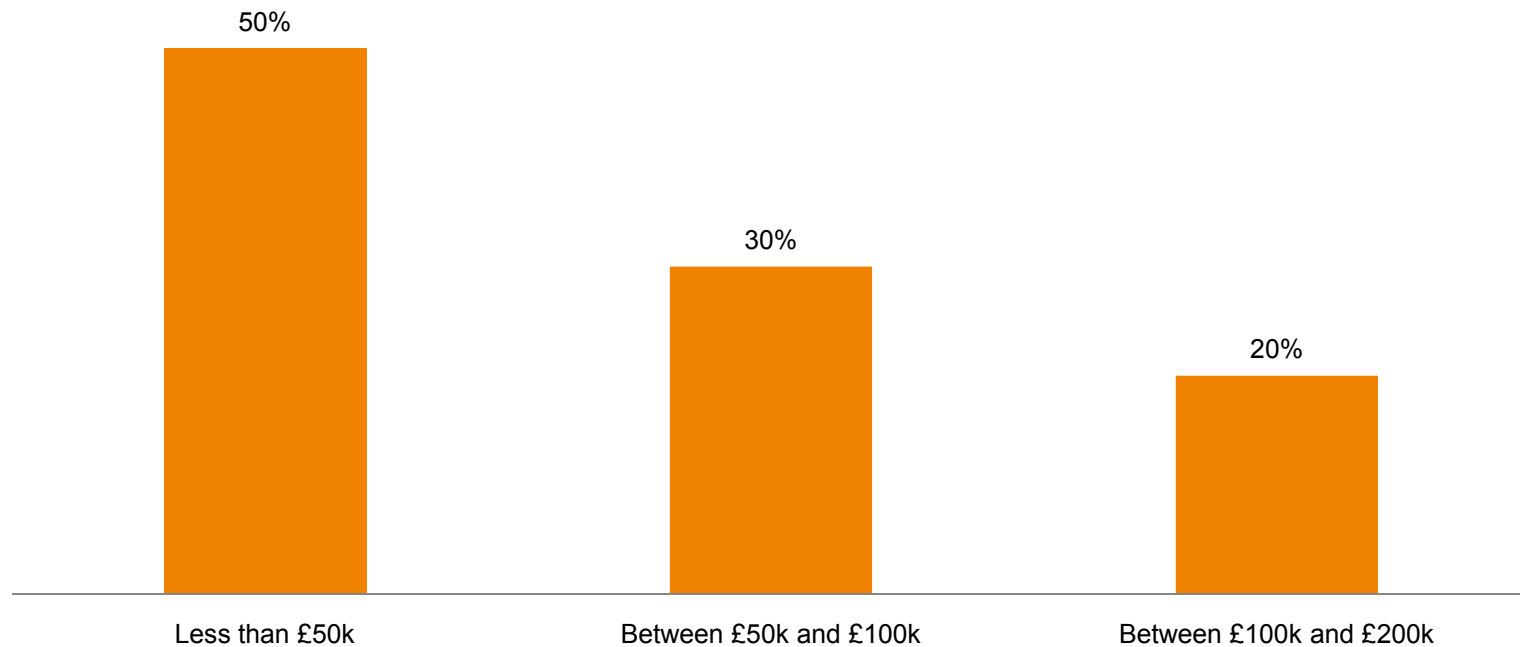
New media commissioning budgets are growing



Half of new media commissions are now achieving rates of over £50k per hour...

What is the average budget per hour of a new media commission?

% OF RESPONDENTS WITH NEW MEDIA COMMISSIONS



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Overseas income

Summary



International rights income is an increasingly important source of revenues...

The 2009 census results indicate that international rights income is becoming an increasingly important source of revenue for UK Indies

The USA remains the most important overseas market, with 24% of all respondents indicating that they had received commissions from this market in the past 12 months

Overseas commissions continued to grow for over 30% of respondents in 2008, with only 7% seeing a decrease in this income stream

A third of survey respondents have licensed formats overseas in the past 12 months

Overseas primary commissions to Indies have remained flat overall

- Though year on year headline growth in international revenues appears strong in 2008, the largest category of trade – primary international commissions – has remained flat

International rights income is becoming an increasingly important source of revenue

- Secondary and ancillary revenues from international rights (such as DVD, new media and format sales) and the sale of other UK finished programmes overseas have both experienced significant growth in 2008, up by 35% and 148% respectively
- These two sources of international income together now represent an estimated 39% of overseas revenues for the Indie sector

Over half the respondents to the survey had received an international commission in the past 12 months, with the majority from the USA

- 54% of survey respondents said that they had received at least one commission from outside the UK in the past year, illustrating the growing importance of this source of revenues
- Of those with overseas commissions, 44% had received work from the USA, compared with only 10% from the next biggest market

Overseas commissions have grown for over 30% of respondents in the past year

- 31% of survey respondents indicated that they had received a greater number of overseas commissions in 2008 compared with the previous year

Documentaries were identified as the most successful genre in terms of international sales

- 58% of survey respondents highlighted Documentaries as being amongst their most successful genres in the international market

A third of Indies have licensed formats overseas

- 33% of Indies said that they had licensed formats overseas in the past 12 months
- Of the companies that had licensed formats, 18 per cent of formats were licensed in the US while 15 per cent were licensed in Germany

Large Indies are responding to the overseas opportunity by building or acquiring subsidiaries

- 14% of Indies indicated that they had an overseas subsidiary, with the majority of these (82) based in the USA

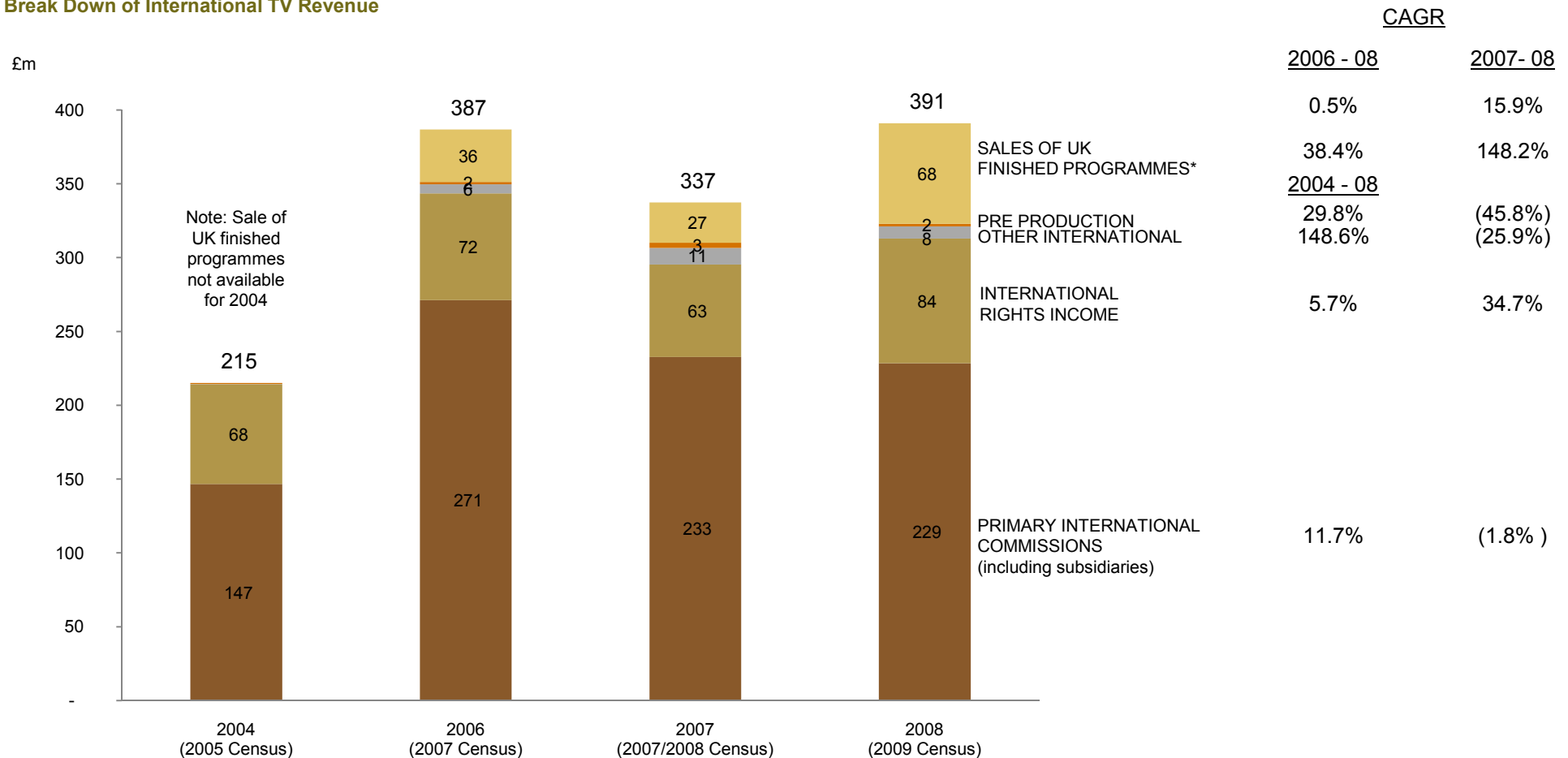
Overseas income

Sources of revenue from primary commissions and rights



Though the growth in primary international commissions has stalled, international rights income is an increasingly important source of revenue for UK Indies...

Break Down of International TV Revenue



Source: Oliver & Ohlbaum Analysis, PACT census

*Note: Represents the revenue reported by Indies as "International TV finished programme sales" but attributed as UK revenue rather than overseas.

Figures are particularly sensitive to specific company performance and M&A activity

Overseas income

Increasing importance of overseas commissions (esp. from the USA)

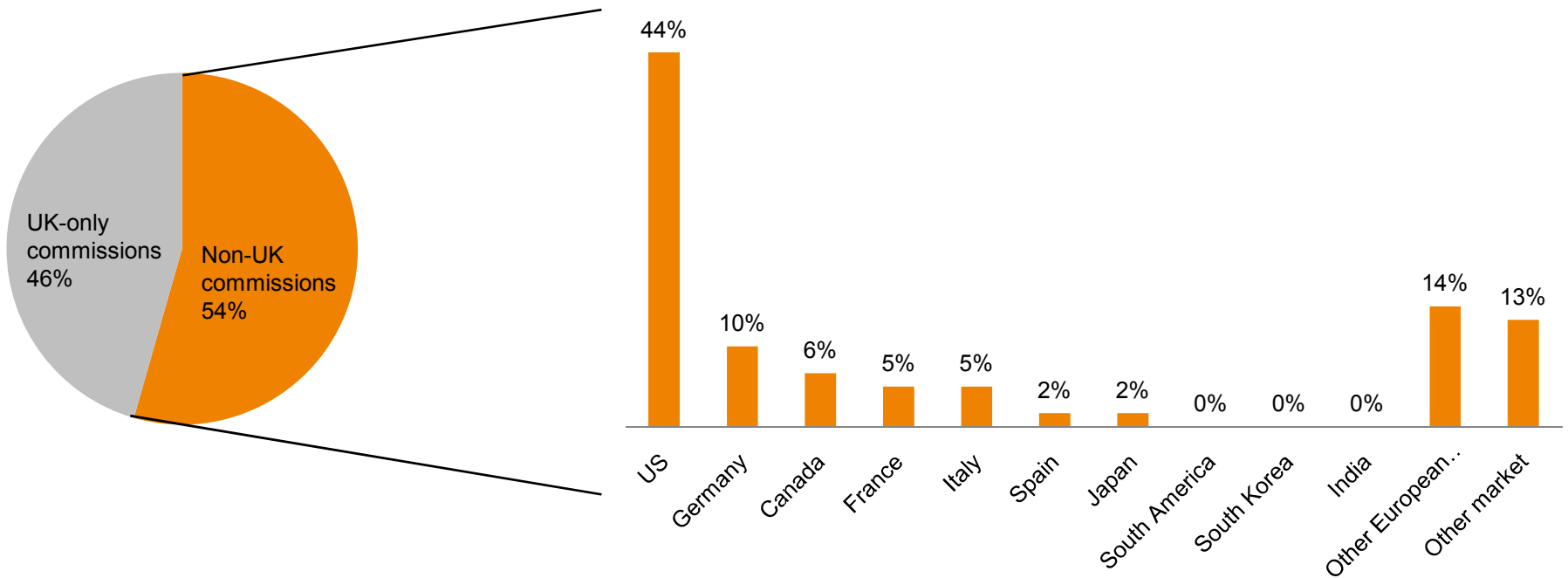


Over half of respondents have received commissions from outside the UK. Of this group, 44 per cent have received commissions from the US in the past 12 months

Have you received any commissions from any of the following (non-UK) markets in the last 12 months?

% OF ALL RESPONDENTS

% OF NON-UK COMMISSIONS



Source: PACT policy survey 2009, O&O analysis

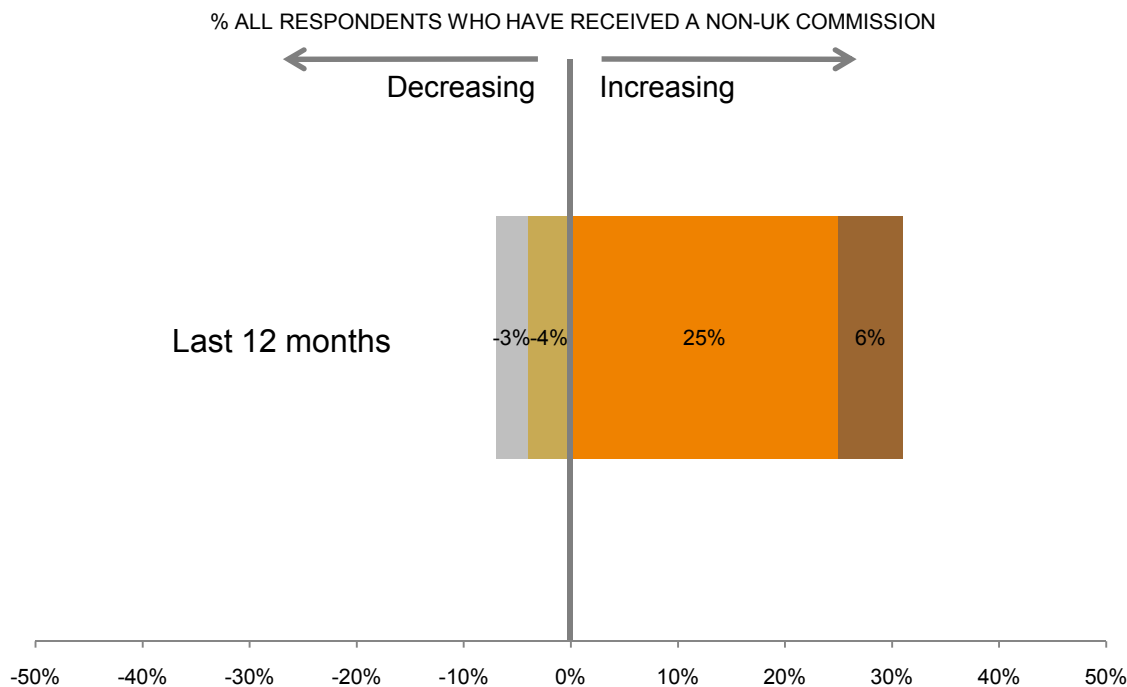
Overseas income

Overseas commissions continue to be a growth area for UK Indies



Overseas commissions have grown for over 30% of respondents in the past year, while only 7% have seen falls in international commissions...

Could you give an indication of how the number of commissions you've received from outside the UK has changed in the last 12 months and will change in next 2 years?



- 31% of respondents indicated that there had been some level of increase in the number of overseas commissions received in the last 12 months

Source: PACT policy survey 2009, O&O analysis

Overseas income

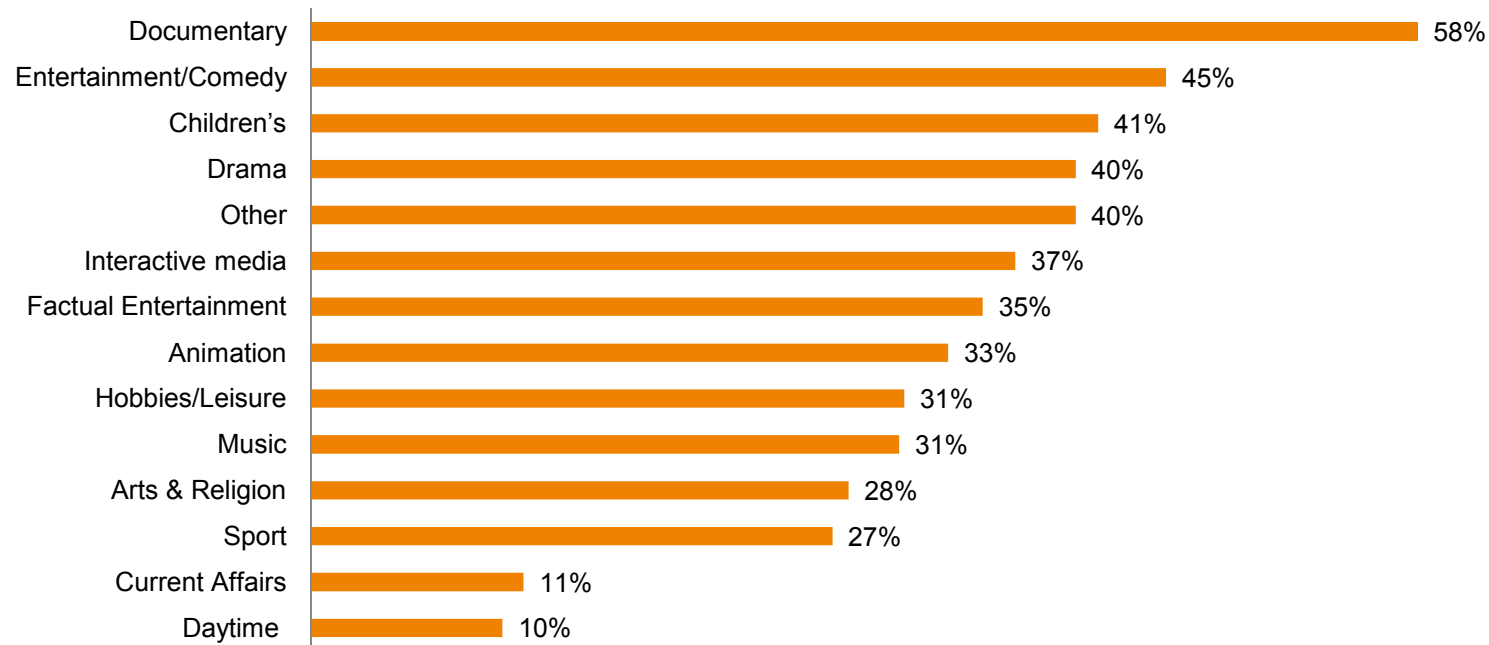
Relative success of genres overseas



Documentaries were identified as the most successful genre in terms of international sales followed by entertainment/comedy and children's...

What genres that you currently produce do you view as being the most successful in the international market?

% THAT QUOTED GENRE AS ONE OF THEIR MOST SUCCESSFUL IN THE INTERNATIONAL MARKET



Source: PACT policy survey 2009, O&O analysis

Overseas income

A third of Indies license formats overseas

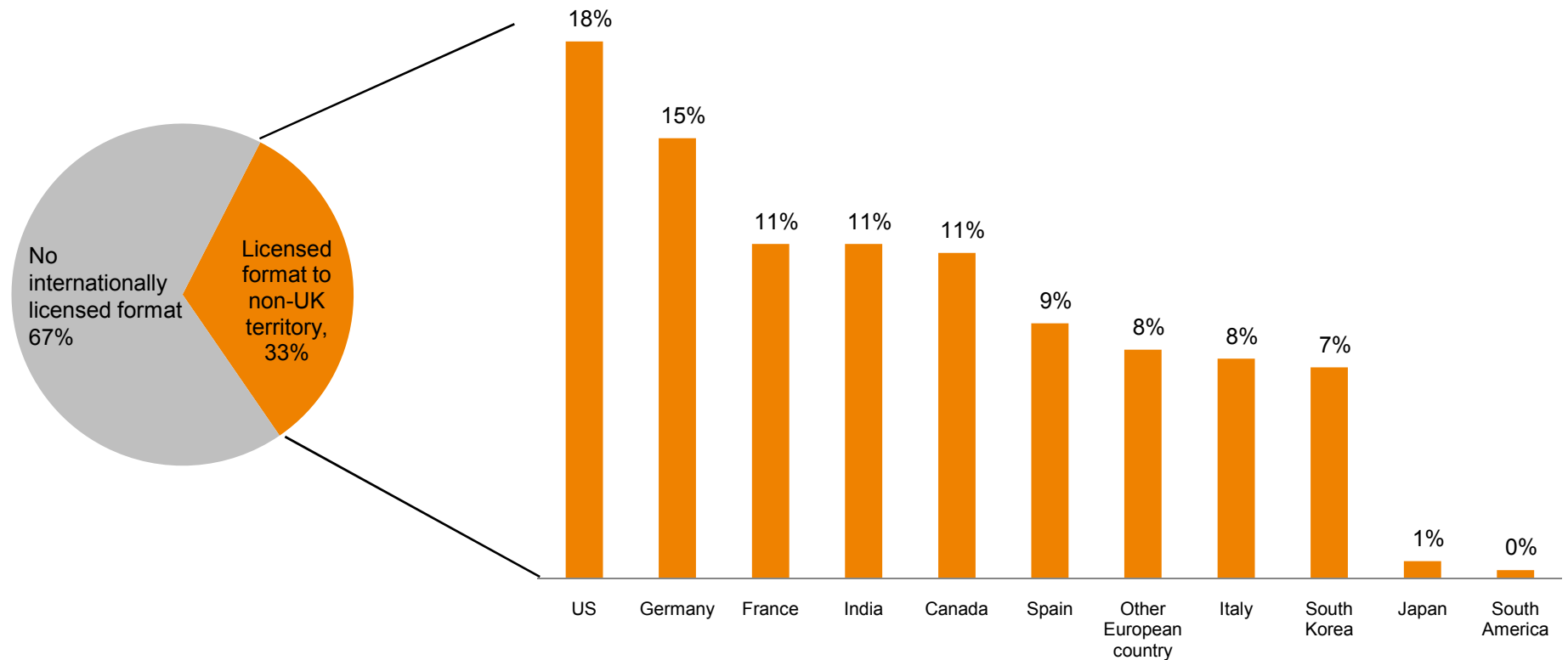


33% of respondents had licensed formats overseas in the past 12 months; from these companies, 18 per cent of formats were licensed in the US while 15 per cent were licensed in Germany*...

Have you licensed any formats to any of the following (non-UK) broadcaster territories in the last 12 months and could you give an indication of the number of formats you've licensed by territory?

% OF ALL RESPONDENTS

% OF INTERNATIONALLY LICENSED FORMATS



*Note: these figures are not mutually exclusive i.e. a number of producers may have licensed in more than one territory
Source: PACT policy survey 2009, O&O analysis

Overseas income

UK indies are responding to the overseas expansion opportunity

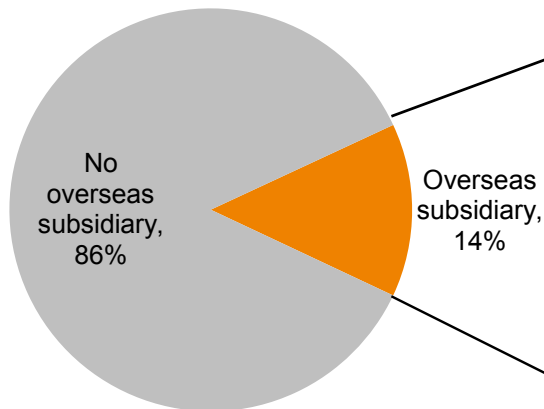


Of all respondents, 11 per cent have an overseas subsidiary in the USA. Only 35 per cent of all companies with overseas subsidiaries have a turnover below £50m.

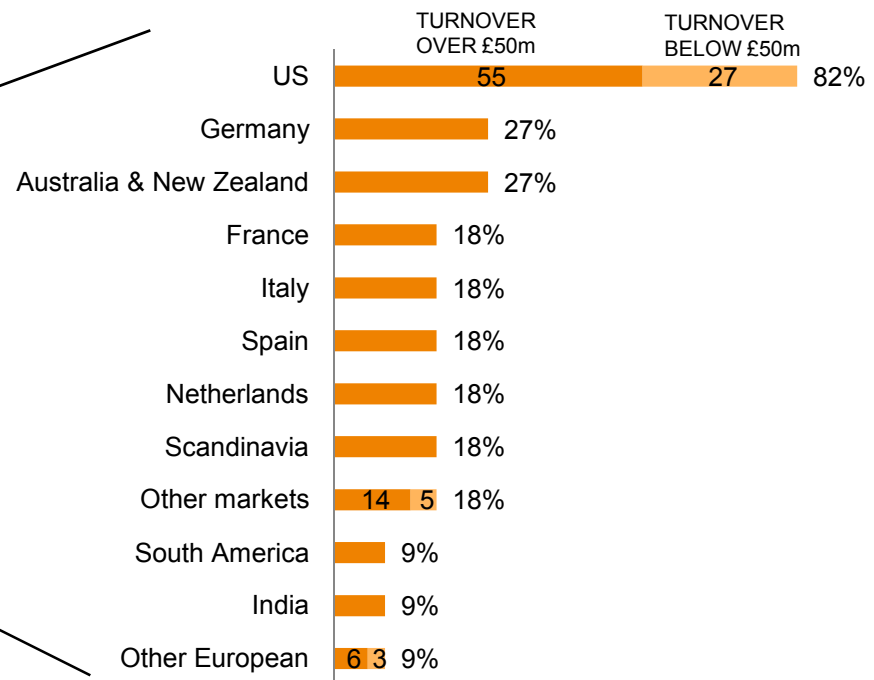
Do you have any overseas subsidiary companies ?

Where are they based?

% OF ALL RESPONDENTS



% OF RESPONDENTS WITH OVERSEAS SUBSIDIARIES



Source: PACT policy survey 2009, O&O analysis

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Independent production in 2008

Rights exploitation - Summary



International markets for rights exploitation are increasingly important...

The 2009 census returns indicate that international markets for UK programme rights have grown in importance

The USA remains the most important overseas market for rights exploitation

Indies have not yet been able to fully exploit on-demand rights, with 65% of survey respondents yet to do a deal with leading on-demand platforms (where catch-up rights are controlled by broadcasters)

International markets for UK programme rights grow in importance

- With the proportion of UK rights income from distribution advances shrinking, the revenues from sales of UK finished programmes overseas has become the single largest source of secondary and ancillary rights income

The USA remains the most important overseas market for rights exploitation

- Survey respondents ranked the USA as by far the most important market for secondary sales overseas, with 81% of respondents ranking it above other territories
- Germany, France and Canada represent the second tier of countries for secondary sales

Indies have not yet been able to fully exploit on-demand rights

- By contrast, the on-demand rights market is yet to fully develop, with 65% of Indies who responded to the policy survey indicating that they had not made any exploitation deals with leading on-demand platforms in the past 12 months

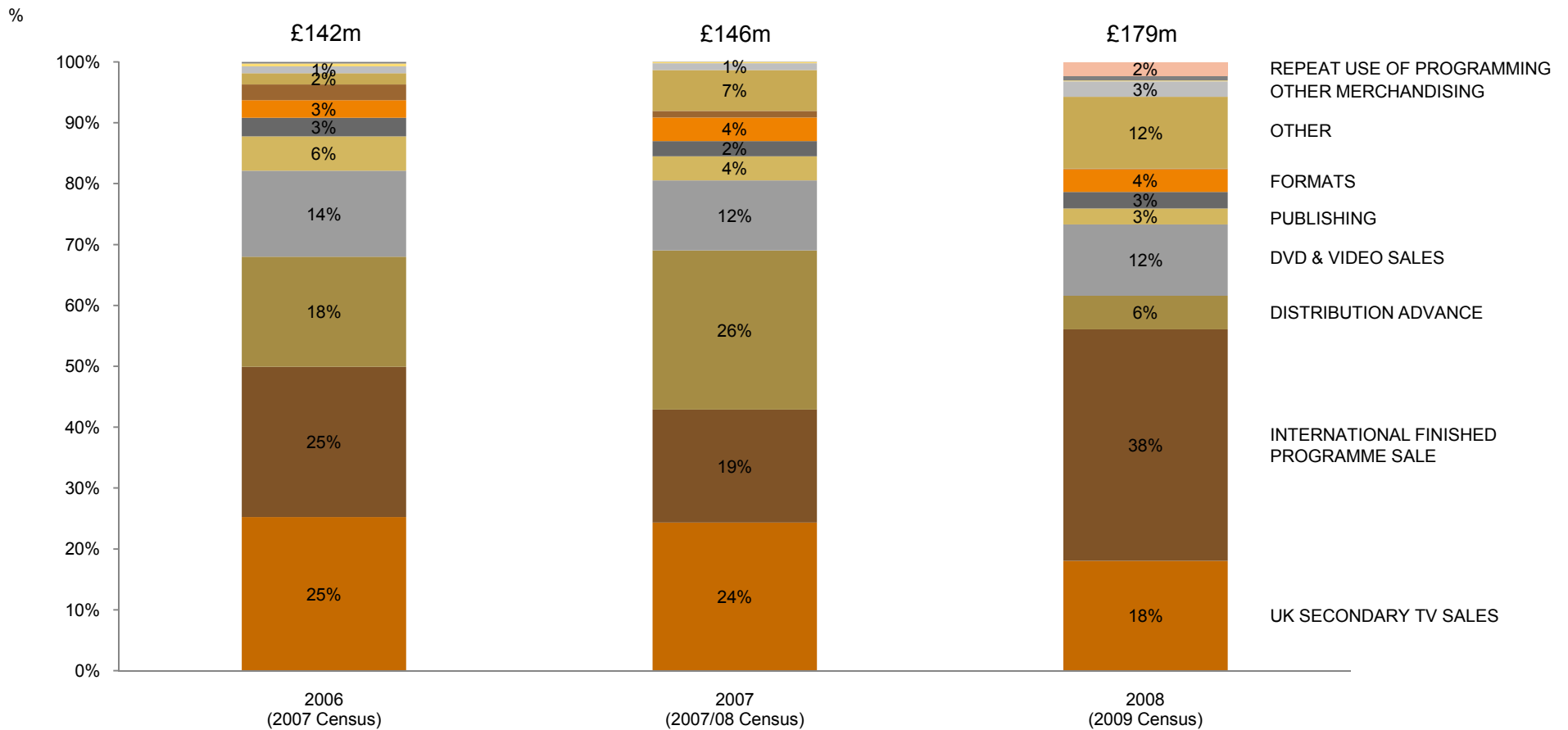
Independent production in 2008

Rights exploitation – International markets for UK programme rights grow in importance



The value of selling UK finished programmes overseas has grown to be a significant source of income from UK productions...

UK Rights Exploitation by Category Between 2005 Census and 2009 Census



Source: Oliver & Ohlbaum Analysis, PACT census

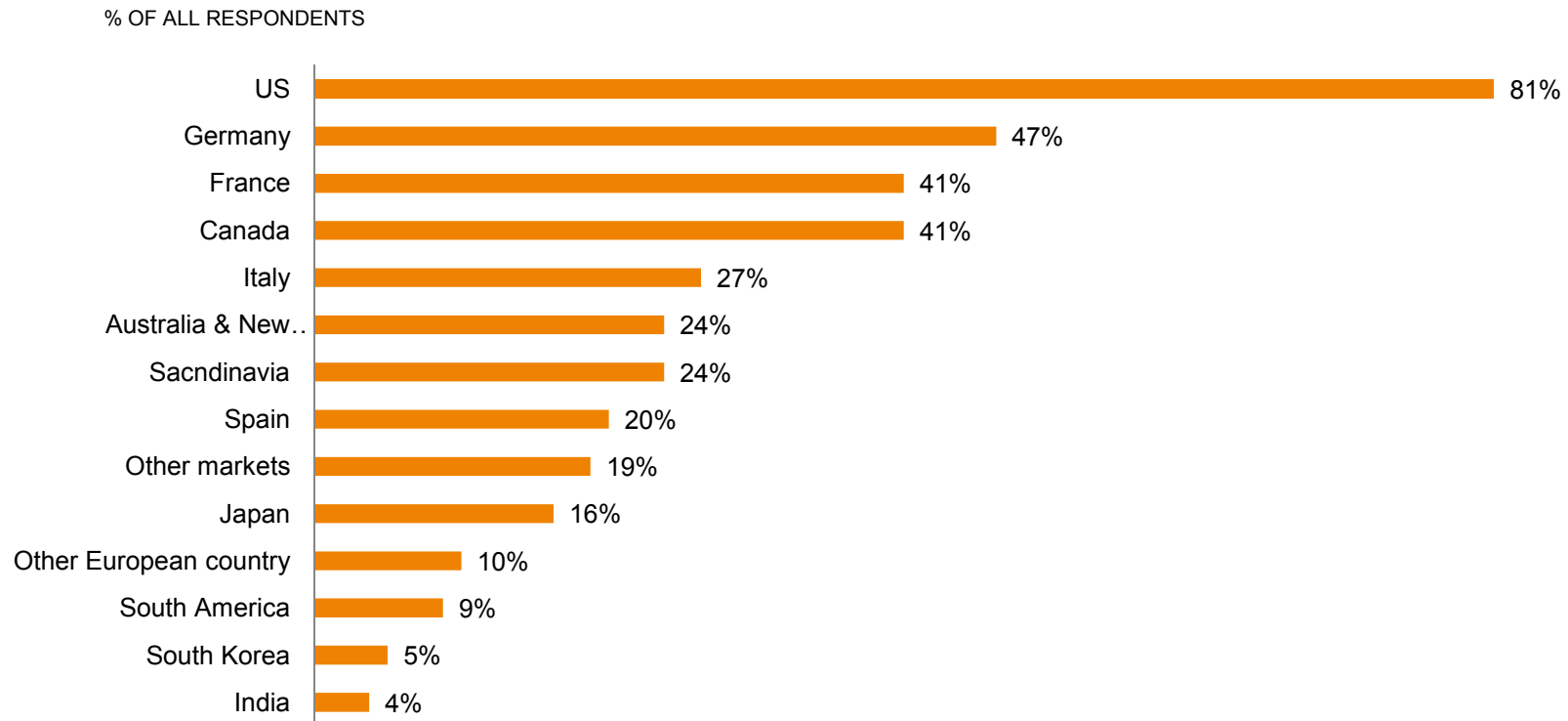
Independent production in 2008

Rights exploitation – The USA remains the most important overseas market for rights



Over 80 per cent of respondents highlighted the US as one of the most important markets in terms of secondary sales. Germany, France and Canada were also viewed as important markets although to a far lesser extent than the US.

What markets are most important to you in terms of secondary sales?



Independent production in 2008

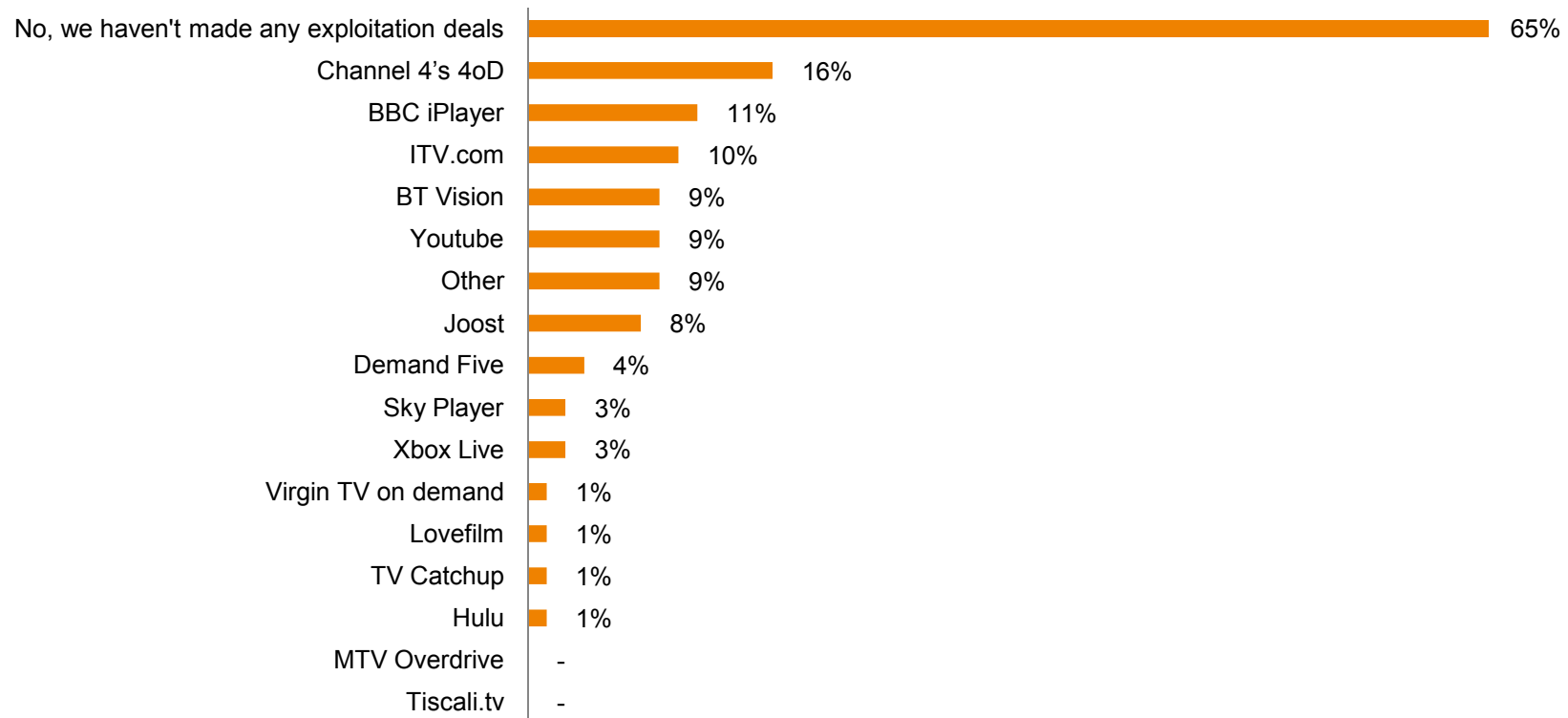
Rights exploitation – Indies have not yet been able to fully exploit on-demand rights



The majority of companies (65 per cent) have not made any VoD exploitation deals (where catch up rights and significant life of series holdback are controlled by the broadcasters).

Have you made any exploitation deals directly with any of the following video on demand platforms in the last 12 months?

% OF ALL RESPONDENTS



Source: PACT policy survey 2009, O&O analysis

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- Proportions of gap finance required

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Sources of additional finance

Summary



Independent producers are now contributing between £160m and £190m to programme investment...

The total contribution of the UK Independent Production sector to programme budgets is estimated to have been worth between £160 and £190m in 2008 according to the census returns.

Drama productions have the greatest need for gap finance contributions, with survey respondents estimating that 42% of Drama strands required this source of additional funding to proceed

The UK Indie sector is estimated to have contributed between £160-190m to production finance during 2008

- Returns made to the financial census for 2008 estimate the value of direct gap funding to be between £70-90m
- On top of this, the value of co-production finance being brought in from outside the UK is estimated to be £40m in 2008
- Adding the estimated value of un-recouped R&D expenditure and the impact of reduced production fees (another estimated £25-30m each) to these totals provides an estimated range of total contributions to productions of between £160-190m in 2008

Drama was identified as the genre most in need of gap financing

- Survey respondents indicated that on average 42% of Drama strands required gap finance in 2008 compared with 26% of Documentary strands (the next largest genre category)
- Dramas and Documentary strands also have a relatively high proportion of their overall budgets made up from gap finance sources

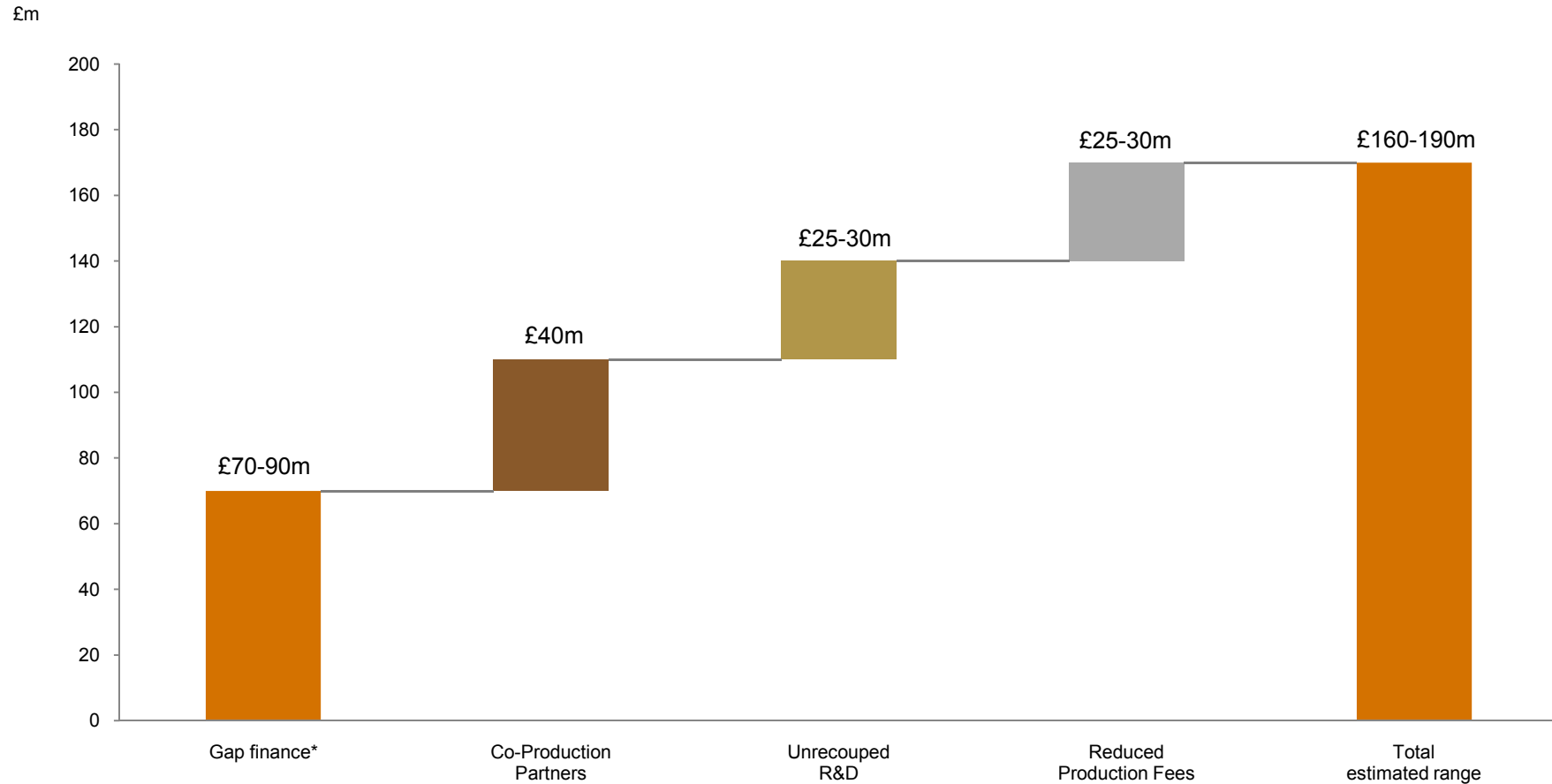
Sources of additional finance

Increasing contribution from Indies



The incremental contribution to productions in 2008 from the Indie sector was an estimated £160-£190m

Estimated value of contribution to productions, 2008



Source: O&O analysis, PACT census and estimates

Note: Gap finance is defined as where the primary commission is less than the direct costs of the programme

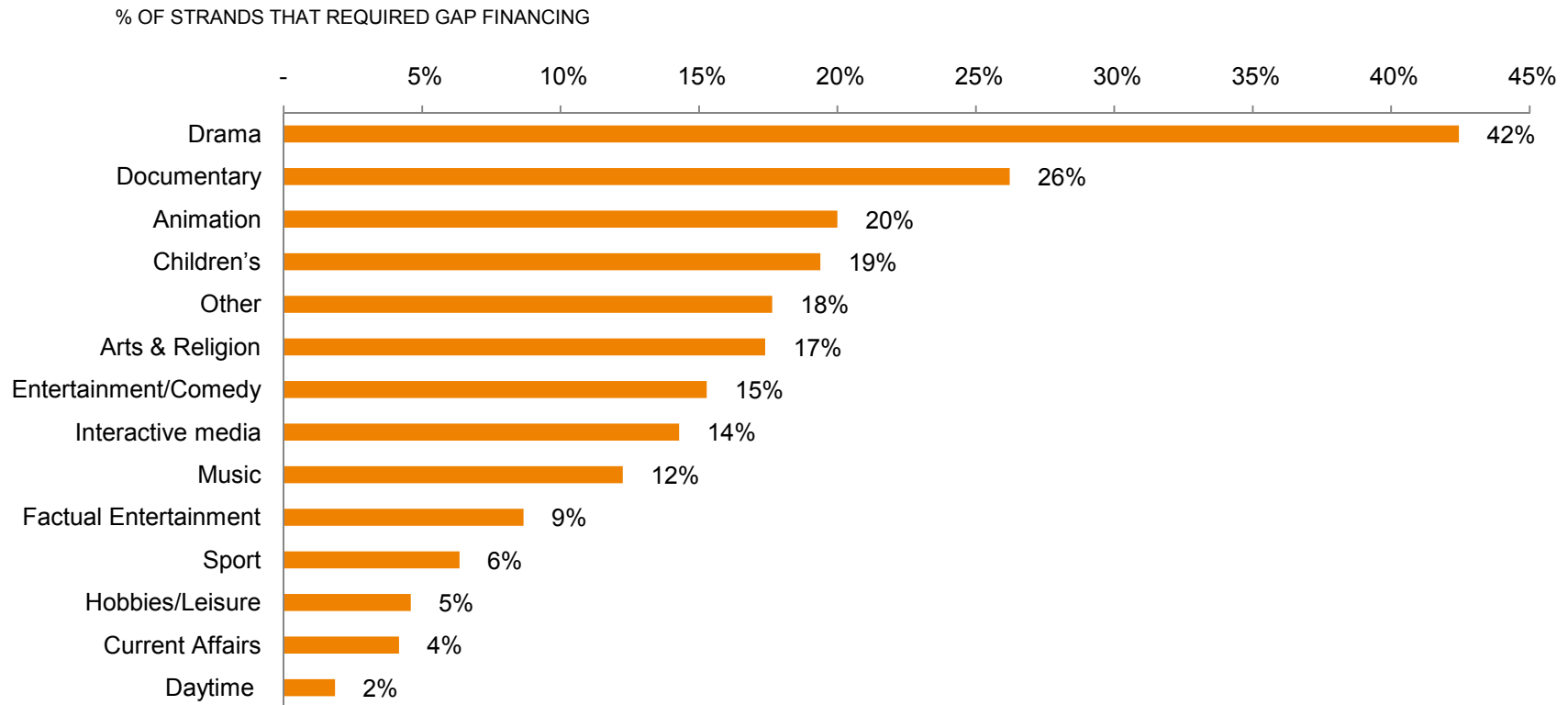
Sources of additional finance

Drama productions most commonly require gap finance



Drama was identified as the genre most in need of gap financing with 42 per cent requiring gap funding in the past 12 months

How many of the strands that you've produced in the last 12 months (2008/09) required some degree of gap financing?



**In the survey a 'gap financed' project was defined as one where the primary price per hour commissioned by the broadcaster does not cover the direct and indirect costs of making the programme (i.e. before allocation of any company overheads etc.).*

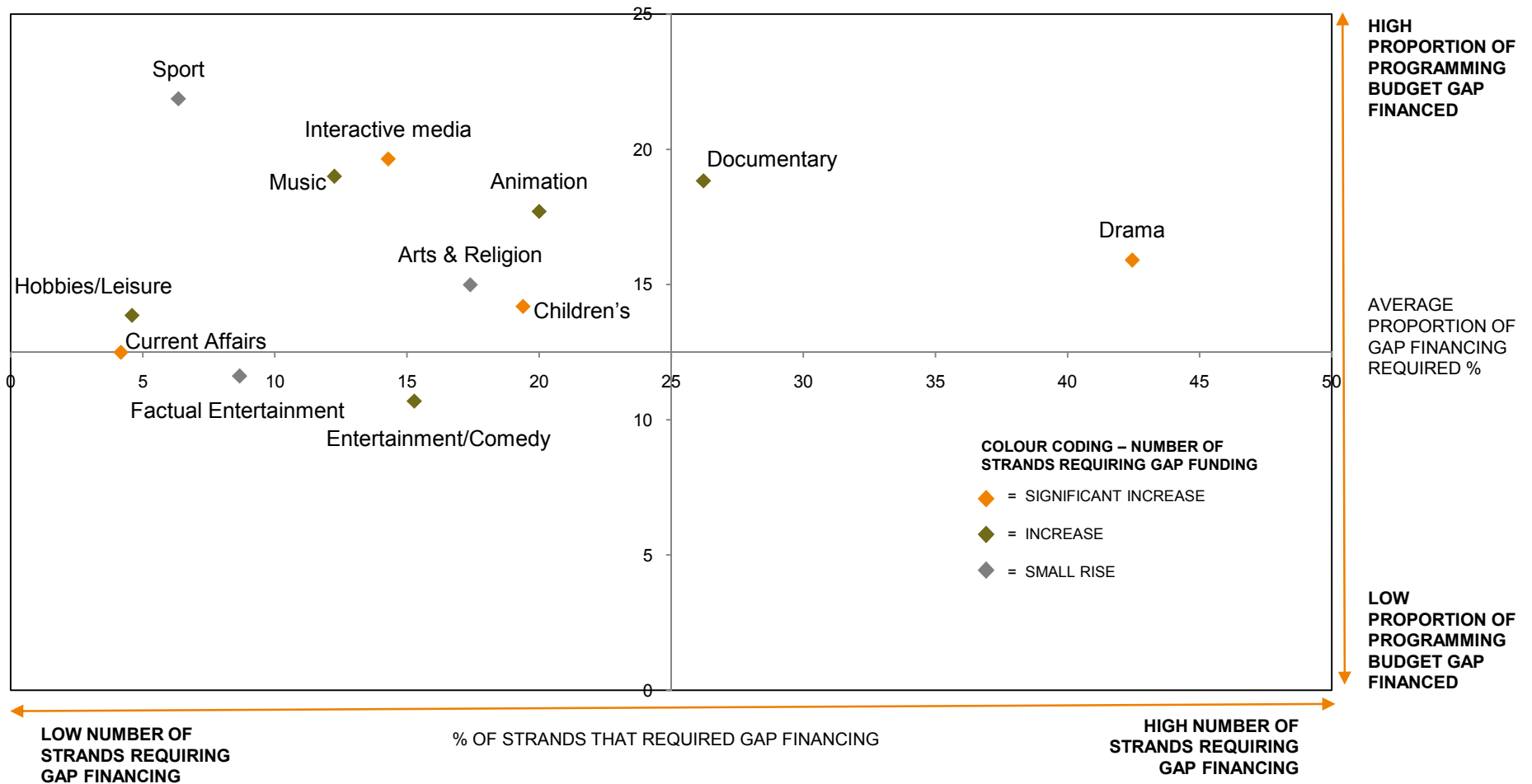
Source: PACT policy survey 2009, O&O analysis

Sources of additional finance

Proportions of gap finance required



Sports, music and interactive media strands typically require a higher level of gap funding while documentary and drama programmes more commonly require gap funding.



Source: PACT policy survey 2009, O&O analysis

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The impact of the downturn in 2008/09

Summary



The downturn has brought decreasing prices, delays and postponements...

The responses to the policy survey indicate that primary prices have fallen by an average of 4% during 2008/09

A large number of respondents are experiencing delays or postponements in commissions

Primary prices have fallen by an average of 4%

- 63% of survey respondents indicated that they had seen primary prices for new strand commissions fall over the last 12 months, with falls also being seen in returning strand prices
- The weighted average decline in pricing for new strands was 4.8% and 3.2% for returning strands, giving an overall weighted average of around 4%
- The sentiment on pricing was negative in the majority of responses, with only 1-3% indicating a positive change

Postponements and delays are becoming more commonplace in the market

- 50% of respondents said that they agreed that recent commissions were being delayed due to the current economic environment
- 30% of respondents agreed that a number of their titles scheduled for 2008 had been postponed

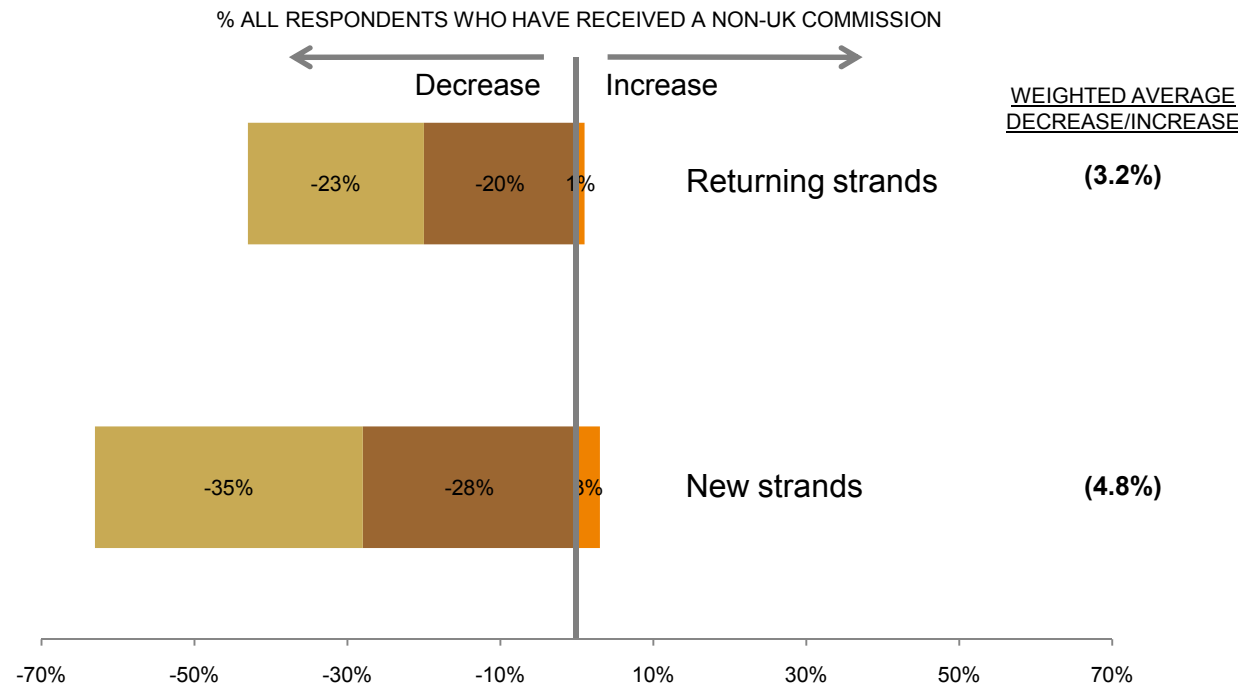
The impact of the downturn in 2008/09

Primary prices have fallen by 4%



63% of survey respondents indicated that they had seen primary prices for new strand commissions fall over the last 12 months, with falls also being seen in returning strand prices

How have primary prices per hour changed in 2008/09 compared with 2007/08?



- 43% of respondents have seen prices for primary commissions of returning strands fall in the last year (20% indicating a 5% decrease; 23% indicating a 10% decrease)
- 63% of respondents have seen prices for primary commissions of new strands fall in the last year (28% indicating a 5% decrease; 35% indicating a 10% decrease)

Source: PACT policy survey 2009, O&O analysis

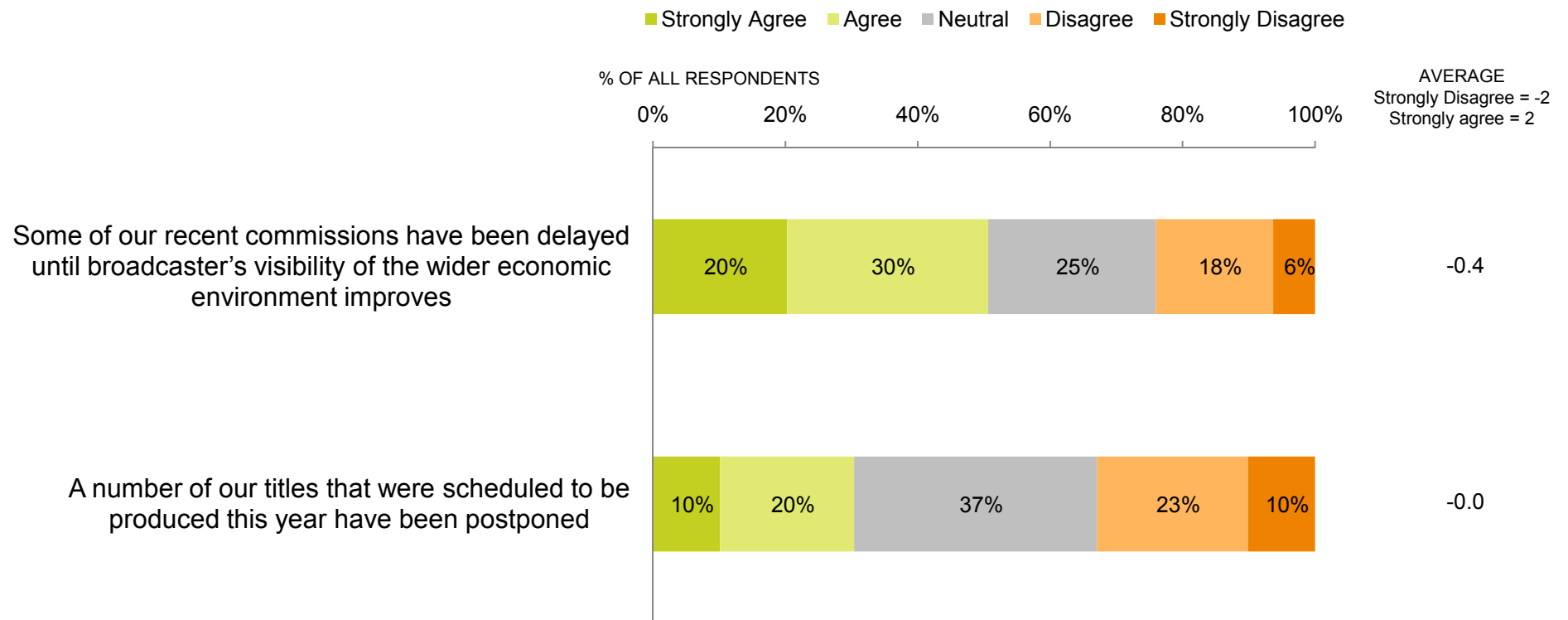
The impact of the downturn in 2008/09

Delays and postponements to commissions



50 per cent of respondents have been suffering from delays, while 30 per cent have experienced postponements in commissions over the last 12 months

Thinking about your experiences of commissioning (across all channels) in the last 12 months, how much do you agree with the following statements?



Source: PACT policy survey 2009, O&O analysis

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Future prospects – The next 3 years

Summary



Producers see revenues and profits falling further in the next 3 years...

The prospects for the next 3 years are mixed, with a majority of survey respondents expecting overall sector revenues and profitability to decline further

Respondents believe that this decline will be driven by reducing commission volumes and prices, alongside a growing demand for gap finance

More positively, the sampled producers also thought that rights income would continue to grow in the next 3 years, and that new media revenues would also expand

Factors expected to decline in the next 3 years

- 76% of respondents expect the number of commissions from the leading networks to decline over the next 3 years
- Alongside this, 50% of respondents also expected the number of commissions from thematic channels to decline over the same period
- Primary commissioning prices are expected to remain under pressure, with 90% of respondents expecting some further declines over the next 3 years
- As a result, 66% of respondents expect overall industry revenues to decline over the next 3 years and 81% of respondents think that profit margins will erode further

Factors expected to rise in the next 3 years

- 78% of respondents expect the revenue contribution from new media and on-demand rights to increase in the next 3 years
- 71% of respondents also expect the contribution to revenues from ancillary rights to increase over the same period
- Format licensing and international commissions are also expected to provide growth, with 53% of respondents in both case agreeing that these factors will rise
- However, alongside these additional rights gains, 89% of respondents thought that the level of gap finance required for programmes would also increase

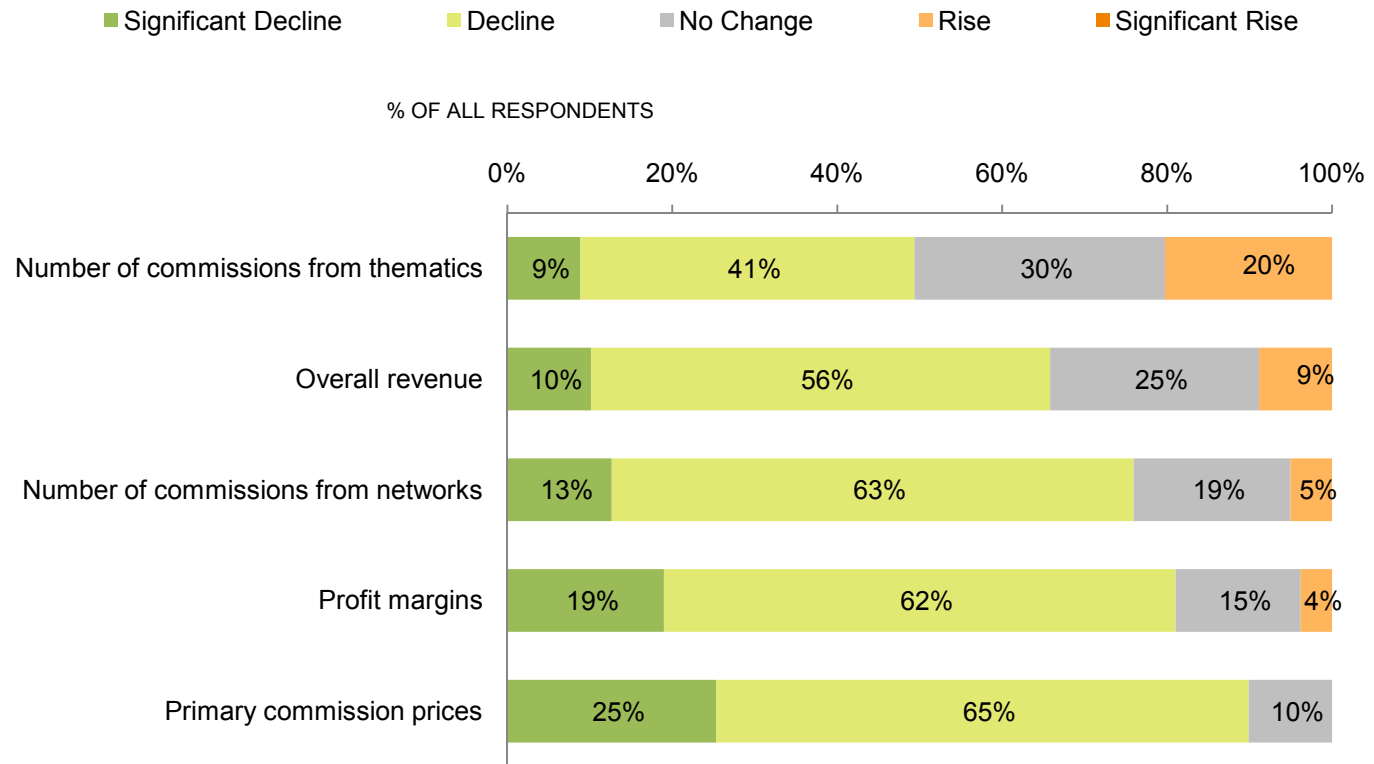
Future prospects – The next 3 years

Key financial trends and expectations (1/2)



66 % of respondents expect sector revenues to decline...

How do you think the following will change for the overall independent sector over the next three years?



Source: PACT policy survey 2009, O&O analysis

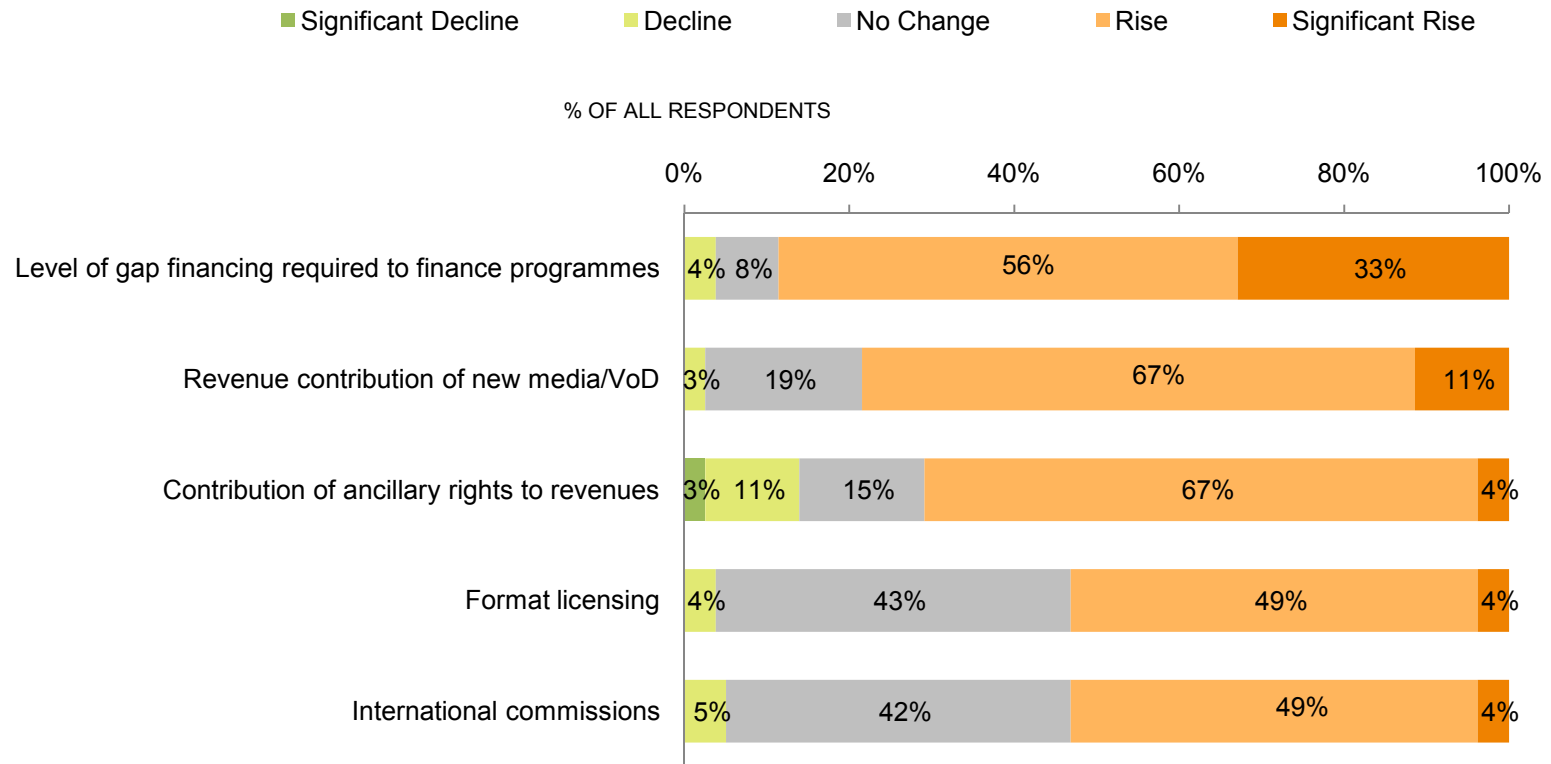
Future prospects – The next 3 years

Key financial trends and expectations (2/2)



89% expect the level of gap funding to increase in the next three years...

How do you think the following will change for the overall independent sector over the next three years?



Source: PACT policy survey 2009, O&O analysis

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Digital Britain proposals and issues

Summary



Producers see a combination of Channel 4 and Five as being negative for the sector...and favour the introduction of a levy against on-demand platforms to support re-investment...

Respondents to the policy survey were negative in their views of a potential tie-up between Channel 4 and Five, which is clearly seen as being bad for business

In terms of other revenue sources, producers responding to the survey were most in favour of a levy on new media platforms and services as a way of preserving investment in content

Respondents also favoured a relaxation of product placement rules and a removal of the current returning series “holdback” arrangements from the terms of trade

Of some recent policy proposals, a tie-up between C4 and Five is seen as being the most negative for the Indie sector

- When asked to rank the overall impact of some potential policy decisions, 64% of sampled producers thought that universal broadband access would be the most positive for the industry
- Conversely, 65% of respondents thought that the consolidation of Channel 4 and Five would have a negative impact on the Indie sector
- Respondents were also marginally in favour of a tie-up between BBC Worldwide and Channel 4
- Responses were neutral on the prospects for a removal of CRR restrictions at ITV and the potential for Channel 4 to receive some of the BBC’s licence fee

In terms of additional revenue streams, Indies favour the introduction of a small levy for on-demand platforms

- Indies were also asked to rank some potential sources of further income to rights holders, scoring each from 1-5 (with 5 being highest impact on the sector)
- The results from this question ranked the introduction of a small levy on all on-demand platforms to provide a reinvestment fund as the most popular choice (average score 3.2)
- Next most popular options were for product placement rules to be relaxed (average 3.1) and to remove the returning series “holdback” from the terms of trade (average 2.8)

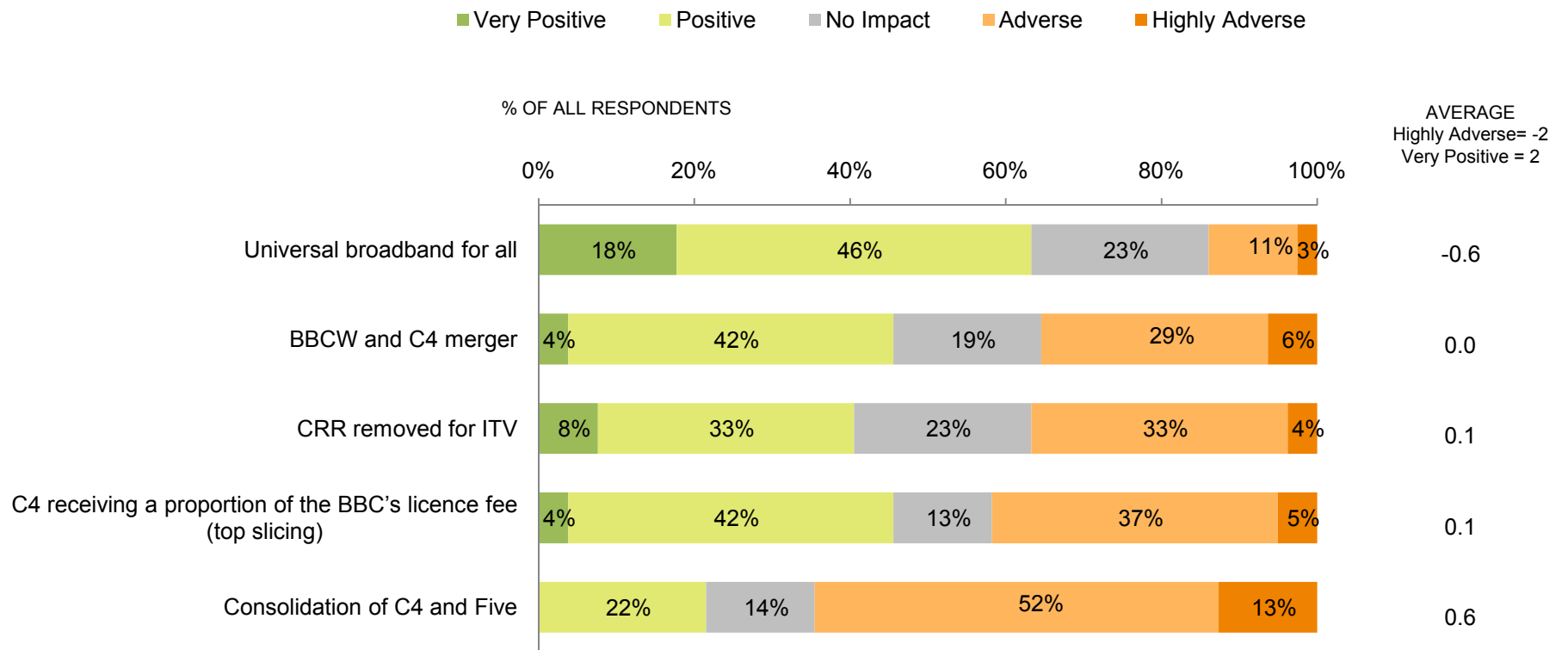
Digital Britain proposals and issues

C4 / Five merger seen as bad for business



Of all respondents, 64% believe that universal broadband for all would have a beneficial effect on the independent production sector, while 65% believe that the merger of Channel 4 and Five would have a negative effect.

What do you think will be the overall impact of the following policy decisions on the independent production sector?



Source: PACT policy survey 2009, O&O analysis

Digital Britain proposals and issues

Indies keen for an on-demand levy



In terms of alternative policy options, Indies were most in favour of an on-demand platform levy, product placement and removing holdback terms of trade

