



British Screen Advisory Council

'Bringing the audiovisual industries together'



Submission to:

**DIT consultations on post-Brexit
trade with the US, Australia and
New Zealand, and with the CPTPP**

October 2018

About BSAC

1. The British Screen Advisory Council (BSAC) is an independent, industry-funded umbrella group bringing together many of the most influential people working across the value chain in the audiovisual and interactive entertainment sector, including television, film, video games and digital media, including leading technology firms and ISPs. BSAC works closely with policymakers across UK government departments to provide an informed lead on emerging business trends and to provide advice on policy.

Introduction

2. This BSAC paper is submitted to the Department for International Trade in the context of its consultations on post-Brexit trade with the US, Australia and New Zealand (and with the CPTPP – Comprehensive and Progressive Agreement for Trans-Pacific Partnership).
3. The trade policy for the audiovisual sector must be considered in terms of the broader policy framework: it should reflect the overall policy objectives and priorities for the sector, including the Industrial Strategy and Sector Deal to drive further growth in the sector. We note that the Chancellor of the Exchequer has recently commented:

The UK is one of the best places in the world to make films, high-end TV programmes, video games and animations. I'm immensely proud of the support that the government gives to these industries ...

From TV shows like The Crown, to films like The Darkest Hour, and animations like Peppa Pig, our creative industries are intrinsic to the rich cultural fabric of the UK. But they're also an important part of a dynamic and diversified economy, and a key component of our great, global trading nation.¹

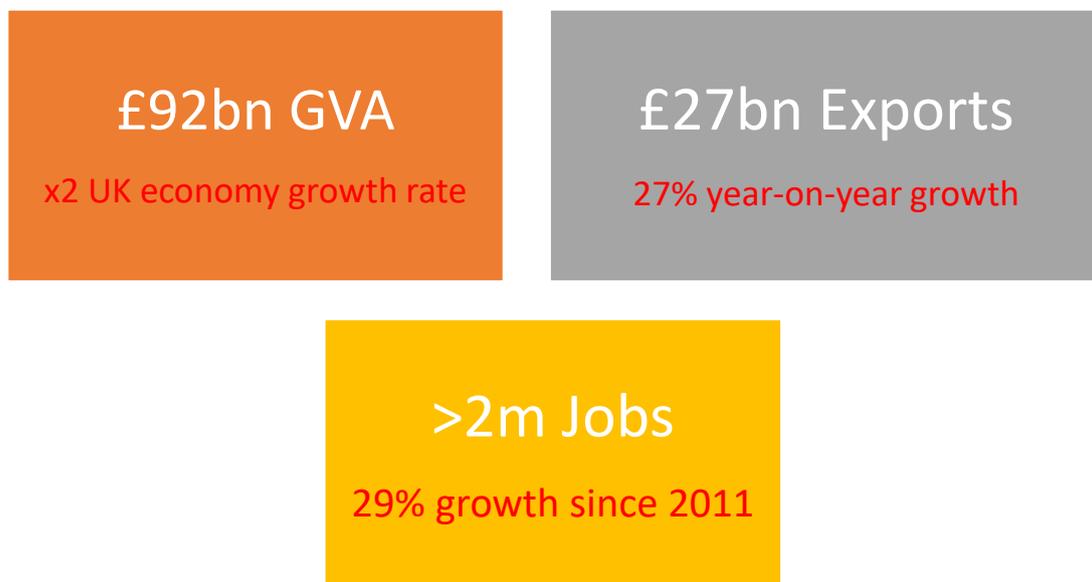
4. We recognise that Government is considering many sectors in defining its overall trade policy. As in any sector, to identify the optimum outcome in terms of its trade potential, the sector's offensive interests must be balanced against the defensive interests, which seek to preserve the measures that contribute to the sector's strengths and ability to fulfil its ambitions for growth, including through increased exports, and to deliver important public benefits. Future trade-focused measures involving the screen sectors should seek to develop offensive interests but should not do so by trading away defensive interests – in whole or in part.

¹ Source: ["Screen Business: How screen sector tax reliefs power economic growth across the UK". Olsberg.SPI / Nordicity, October 2018, Foreword](#)

A Global Success Story

5. The Creative Industries are one of the most successful, and fastest growing, sectors in the economy with a strong export record and potential. Recent DCMS statistics show:²
- They accounted for 5.3% of the UK economy in 2016, equivalent to a Gross Value Added of £91.8 billion. This is an impressive 44.8% increase on the corresponding GVA in 2010.
 - They generated more than 2 million jobs in 2017, which represents 6.1% of total UK employment. This is a 2.5% increase year-on-year, and 28.6% up since 2011.
 - The Creative Industries exported £27.0 billion worth of services in 2016, 27.4% up year-on-year, reaching the highest level since 2010 after three successive years of growth.
 - These export figures are almost certainly understatements, as they do not capture ‘hard to measure’ trade flows for creative digital services, such as content viewed through YouTube or accessed globally on online newspapers and publications. A CIC/CIF/CEBR report estimates that, taking these into account (as well as exports in goods), the UK’s total Creative Industries exports were worth £46 billion.³

Figure 1. Creative Industries at a glance: latest economic indicators



Source: DCMS

2 Sources: [“Creative industries’ record contribution to UK economy”](#), DCMS, November 2017; [“DCMS Sectors Economic Estimates 2017: Employment”](#), DCMS, July 2018; [“DCMS Sectors Economic Estimates 2016: Trade”](#), DCMS, June 2018

3 Source: [“The true value of Creative Industries digital exports”](#), CIC/CIF/CEBR, March 2018

6. The growth of the Creative Industries is also impressive from a European perspective. An ONS report⁴ in 2017 showed that since 2014 the economic value of the UK's film, TV and music industries had grown by 72.4%, compared with just 8.5% across the European Union.
7. The audiovisual and interactive entertainment sector – from which BSAC's membership is drawn – is an important and hugely successful part of the Creative Industries. Looking at the individual sectors covered, indicative statistics show that:
 - The UK is the world's second most successful exporter of TV content after the USA, and therefore punches well above its weight⁵. Total revenues from TV exports were worth £902 million in 2016/17, with significant recent growth in China. The most widely exported shows included *Sherlock*, *Midsomer Murders* and *Planet Earth II*⁶. The three biggest markets were the US (£335 million), Australia (£73 million) and France (£60 million). In addition to these and other European / Nordic territories, the list of top ten export markets also includes Canada (£30 million) and China (£25 million).
 - The UK film sector had a turnover of £4.1 billion in 2016, making it the fourth largest film market in the world after the USA, China and Japan, which all benefit from much larger domestic markets⁷.
 - The UK is Europe's leading international broadcasting hub, home to more channels than any other EU country by a wide margin (1,400 channels compared to our nearest rival, France, with just over 400 channels). More than half of these UK-based channels are international, broadcasting to EU markets rather than to the UK⁸.
 - The UK is a world-leading hub for visual effects (VFX) production: it houses four of the world's largest VFX companies, whilst the overall facilities sector has an annual turnover in excess of £2 billion and employs more than 25,000 people⁹.
 - There are more than 2,200 active games companies in the UK, including the creator of *Grand Theft Auto V*, the best-selling entertainment product of all time, selling almost 100 million units worldwide¹⁰. Nesta's map of the industry identified 12 established games clusters employing 24,000 people¹¹. 95% of UK games companies export at least some of their products and services to overseas markets¹².
 - There is a strong export component for emerging talent in digital media: for UK YouTube creators, 85% of viewership comes from outside of their home country¹³.

4 Source: [ONS Monthly economic commentary, July 2017](#)

5 Source: EURODATA TV / MEDIAMETRIE. Figures relate to the period: 1 March 2015 to 28 February 2016

6 Source: "[UK TV Exports: A global view in 2016/17](#)", Pact, June 2018

7 Source: "[The UK Film Market as a Whole](#)", BFI Research and Statistics, October 2017

8 Source: Data provided by COBA

9 Source: "[The UK Facilities Sector: a key contributor to the film and television industries and to the UK's creative economy](#)", UK Screen, March 2010

10 Source: "[The games industry in numbers](#)", UKIE

11 Source: "[A Map of the UK Games Industry](#)", Nesta, September 2014

12 Source: Data provided by Ukie

13 Source: Data provided by Google

8. The audiovisual and interactive entertainment sectors form a key part of the Creative Industries and deliver public value in addition to their economic contribution. By creating stories serving and reflecting the diversity of the UK and the uniqueness of the UK experience, made specifically for UK audiences, they provide socially cohesive and inclusive experiences which are widely shared and help to foster and strengthen common bonds. The values of impartiality, accuracy and trust represented by the main UK news broadcasters are more important than ever and are likely to remain so in the years ahead. UK audiovisual exports are also a key driver of soft power abroad – as a House of Lords report on soft power notes:

‘The UK’s creative industries boost the UK’s profile everywhere, especially among the global middle class with its discretionary spending power, appetite for media and cultural content, and increasing social influence.’¹⁴

9. The ability of the UK’s audiovisual and interactive entertainment to deliver economic and cultural value has been significantly enhanced by enlightened government policies which have created and enabled a vibrant sector with a complex ecology which includes an unusually rich mixture of public and private companies, a successful independent production sector and large-scale investment by global media companies. The ecosystem has developed very significantly over recent decades, for example in the television sector through the expanded range of commercial broadcasters facilitated by a range of technological developments and regulatory adjustments. More recently the rise of new video on demand services has contributed to a UK production boom in high-end TV content. Prospects for export led growth are strong, for example the annual growth rate of the UK-based film, TV and TV-related industries is predicted to rise to between 5% and 8% per annum by 2025, largely driven by international revenues¹⁵.
10. Taken together, public policy interventions such as the public service broadcasting framework, quotas to support independent production companies and production in the nations and regions, and fiscal incentives are highly effective in supporting the sector to deliver both economic and social value for the UK. For example, in 2016 the film tax credit returned £7.69 for every £1 of relief granted¹⁶. The inter-relationships between the various interventions are complex and the ecosystem therefore needs to be considered as a whole. The current range of successful interventions has been developed over time and in careful consultation with the industry. It should not be picked apart.

14 Source: [“Persuasion and Power in the Modern World”, House of Lords Select Committee on Soft Power and the UK’s Influence”, March 2014](#)

15 Source: [“The contribution of the UK-based film, TV and TV-related industries to the UK economy, and growth prospects to 2025”, Oliver & Ohlbaum , October 2018](#)

16 Source: [“Screen Business: How screen sector tax reliefs power economic growth across the UK”, Olsberg.SPI and Nordicity, October 2018](#)

The Global Opportunity

11. In preparing this submission, BSAC has considered available data covering the overall economy, business environment and audiovisual markets of a sample of global export markets of interest to BSAC members. These include the territories covered by the current DIT consultations – the US, Australia and New Zealand – along with China, India, South Africa and South Korea.
12. BSAC's data review indicates that there appears to be a significant lack of publicly-available data for overseas markets, particularly for TV and games. Ofcom publishes data for a small sample of countries in its International Communications Market reports, but provides little or no information on other countries. Where country data exists for other audiovisual markets, e.g. for trade with the UK in films (which comes from the ONS), relevant contextual information to help explain country differences in the data is not readily available.
13. BSAC would encourage Government to plug this gap for UK statistics, both to inform its own policies for the Creative Industries and to assist companies working in these sectors who wish to trade more overseas. It is hard to define the nature of the export opportunities in target markets without reliable data on the audiovisual markets: market intelligence is essential for export strategies at national and individual company level, particularly for start-ups and SMEs who cannot afford to collect their own data or purchase data sets from third-party suppliers.
14. This submission sets out our overarching principles and desired outcomes and describes the 'toolkit' of mechanisms that could potentially be used, individually or in combination, by Government to further promote audiovisual exports. As this is an early stage consultation, BSAC will continue to work with its Members and to advise government.
15. Starting with offensive interests, our overarching principle for the audiovisual sector is to develop further opportunities to co-finance and co-produce content, and to sell finished products and formats around the world. Our desired outcomes focus on cooperation (e.g. ensuring a viable range of co-production partners across countries and platforms), flexibility (so we can respond to market developments, as countries' political and economic priorities, and companies' business models, evolve), IP protection (agreements to reduce piracy and enforce IP protection) and access to consumers (e.g. agreements to reduce restrictions on UK content in target markets that go beyond the UK's own domestic approach and create a meaningful barrier to doing business).
16. Turning to defensive interests, our overriding priority is to resist any pressures to give up measures that play a catalytic role in supporting the audiovisual and interactive entertainment sector in the years ahead. The Government should take into account the underlying economic structures of the sector, so that it does not inadvertently make decisions in relation to trade negotiations that could damage

it. In particular, we need to maintain the sector's huge success in recent decades, including in exports and in delivering social value and soft power advantages, and to make sure this success continues in the decades to come. This involves maintaining current interventions for as long as they remain valuable. And crucially, it also involves ensuring public interventions, whether designed to boost the scale of the sector's economic contribution or to enable the sector to deliver other types of public value, can be adapted to remain fit-for-purpose in the light of future technological and market developments, so they continue to support healthy audiovisual ecosystems.

17. The toolkit of mechanisms to support UK exports includes a range of measures, including but not limited to free trade agreements; and different ones may be appropriate in different countries. We would therefore encourage the UK government to consider all available mechanisms when considering how trade in audiovisual services can be facilitated, including through industry-led initiatives (such as sector-specific trade missions, trade fairs and festivals), export support measures, cultural protocols, and co-production treaties, as well as through free trade agreements. In relation to free trade agreements, Government will need to take into account the interests of the audiovisual sector in horizontal provisions, such as IP protection and enforcement. We note that there are a variety of ways in which audiovisual services can be treated in free trade agreements, and also that the sector has often been excluded altogether.
18. This submission does not attempt to draw conclusions on which mechanisms, or combinations of mechanisms, should be pursued in relation to any or all of the selected countries, as more work is required to evaluate both the markets and the mechanisms, including taking account of the outcome of the ongoing negotiations regarding the future trading arrangements between the UK and the EU.
19. Although these consultations are focussed on trade with the USA, Australia, New Zealand and the signatories of the CPTPP, we emphasise the continuing importance of trade in audiovisual services with Europe: the UK based film, TV and TV-related sectors alone make a trade surplus of £1.3 billion a year with Europe¹⁷. The ongoing importance of Europe as a growing export market for UK audiovisual services should be given due weight when further developing trading relationships with countries outside the EU. We stress the need for any future trade deal to avoid harming the UK's relationship with the EU and take this opportunity to flag concerns around the UK's continued ability to enjoy access to the EU broadcast market via the 'European Works' definition. While the UK's access was safeguarded under the recent revisions to the Audiovisual Media Services Directive, which also introduced new European works quotas for video-on-demand services, this is by no means necessarily secure in the longer term.

17 Source: ["The contribution of the UK-based film, TV and TV-related industries to the UK economy, and growth prospects to 2025". Oliver & Ohlbaum , October 2018](#)

Conclusion

20. In conclusion, alongside the Government's new industrial strategy and Sector Deal for the Creative Industries (which includes an industry-led Trade and Investment Board to help the sector take better advantage of international opportunities), its trade strategy has the potential to strengthen the sector further by facilitating even higher exports. Future trade-focused measures involving the screen sectors should seek to develop offensive interests but should not do so by trading away defensive interests – in whole or in part. The inter-relationships between the various interventions are complex and the current range of successful interventions, which has been developed over time and in careful consultation with the industry, should not be picked apart. To do so would be damaging to a world-class industrial sector that delivers social value and soft power benefits as well as being a key driver of growth and jobs (and which has the potential to drive further growth – including through exports).
21. We would also stress that, as the precise terms of the UK's future relationship with the EU will have a significant impact on these issues, and are yet to be agreed, BSAC's ability to provide detailed recommendations at this time are inevitably constrained. BSAC will be doing more work in this area over the coming months and will share any conclusions with DIT. In the meantime, we would urge DIT to engage fully with the sector – including through organisations such as BSAC – and to consider ways in which the gaps in publicly-available data for overseas markets, particularly for TV and games, might be filled.

For more information about BSAC

Please see our website

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