Feasibility Study of Television and Film Production Space in Scotland

A Final Report for Scottish Enterprise

September 2010

Contents

Executive Summary **1**

1: Background to the study **11**

2: Overview of the sectors **14**

3: The case for production and build space **21**

4: Options **28**

5: Alternative spaces **37**

6: State aid issues **43**

7: Economic impact **45**

8: Financial case **53**

9: Conclusions and recommendations **58**

Annex A: Consultees **A-1**

Annex B: Drama productions 2005 – 2009 ..... **B-1**

Annex C: Film productions in Scotland 2005 - 2009 ..... **C-1**

Annex D: Distribution of crew in Scotland **D-1**

Contact:	David Mack-Smith	Tel:	0131 243 0723	email:	dmacksmith@sqw.co.uk

Approved by:	David Mack-Smith Associate Director	Date:	15/09/2010

Executive Summary

Introduction

1. The issue of a production space for Scotland has been a consistent one over at least the last decade. Supporters have claimed a range of benefits from such an initiative including more broadcast commissions, more inward investment film and television, greater skills levels, and increased economic value. Detractors have claimed that there are higher priorities for public policy, and have been concerned about the sustainability of such an initiative.

2. Scottish Enterprise has conducted work in the past to consider the feasibility of studio facilities in Scotland. Scotland is not alone in having such a debate. Similar discussions have taken place in different nations and regions of the UK, and further afield. In Europe, there are incidents of public sector support of studio/shooting space developments catching foul of European "state aid" regulation, which makes for an added complication.

3. SQW Consulting and Available Light Advisory have been retained by Scottish Enterprise and Scottish Screen[1] to provide a clear overview of the potential requirement for additional production film/television production space in Scotland and any subsequent benefits which may be derived from additional space. This report is a product of an extensive process of desk research, consultation, and economic modelling, and provides the conclusions from the Study.

Current production space provision

4. There is no fully equipped studio space in Scotland, though there are a number of places that regularly host production and have certain facilities and features enabling them to handle film and television. These include the BBC's Dumbarton studios, Film City Glasgow production space in Govan, the BBC's high value studios in Pacific Quay, and certain stages in other parts of Scotland such as the Isle of Skye.

5. In addition, there are a number of spaces that, from time to time, are used for production on a temporary basis. But these spaces are often inconvenient and unsecure and require productions to make expenditures for the spaces to be usable for productions.

6. Different types of production tend to need different kinds of spaces. Feature film and TV drama tend to rent studios on a "dry hire" basis, where the incoming production brings in lights and equipment. Entertainment shows tend to need fully equipped studios, with audience access and seating – so called "shiny floor" studios. These studios can be quite small 650 sq m (7,000 sq ft and under). Film and TV drama need bigger spaces – 650 sq m (7,000 sq ft) is a minimum and 1,400 – 1,900 sq m (15,000 to 20,000 sq ft) is common. The largest film stages are in the area of 4,500 sq m (50,000 sq ft). Film stages need to be high – at least

[1] At the time of writing the report, Scottish Screen activities and responsibilities were about to be transferred to the new body, Creative Scotland. In this report we have referred to Scottish Screen in relation to the past, but have used Creative Scotland to refer to future activity.

10.5m (35 feet) of clear height and preferably 14m (45 feet) – and with a roof strong enough to hang lights. Factual television or documentaries tend not to use production spaces at all.

The argument for a production space

7. Broadcast commissions by Scottish television production companies have fallen over the last five years. It is argued that having a dedicated production space would help Scottish producers to claim the ability to successfully execute commissions from Scotland. The principal commissioner of TV drama from Scotland is the BBC, which has made a commitment of commissioning three TV dramas per year for network broadcast from Scotland. Though BBC has its facilities at Dumbarton, it is argued that these are not of adequate size and standard to properly service high quality TV drama.

8. Although smaller films sometimes use studios/production spaces, it tends to be the larger productions – often originating from US majors – that make extended use of this kind of space to construct large sets. At the moment, the UK is a very competitive destination for international production, due to its tax credit film incentive, and the low value of sterling compared to the dollar. As a result, studios and production spaces around London are very busy or full. It is argued that a dedicated production space in Scotland would mean that productions that come to Scotland for the mountain and coastal locations will stay longer and shoot "interiors" in Scotland.

9. Once more production is taking place in Scotland, it is argued, there will be additional benefits in terms of skills development, jobs created, companies developed (those that supply the production process) and additional economic outputs – in hotel, catering and general supplies.

10. Furthermore, it is felt by some that the presence of a studio would act as an "economic hub" and "iconic home" for the Scottish production sector, which at the moment lacks such a base. Some people within the industry feel that the perception has been that if Scotland does not have a studio, then it is unlikely to have a strong offering of crew and facilities. The associated argument is that, though a production space/ studio may not be completely justifiable on current economics, it is incumbent on public sector policy bodies to "show some vision" and move forward with an admittedly risky, but potentially transformative, project.

11. As a result of all this, the Scottish Television Broadcast and Production Working Group, consisting of producers, broadcasters and public policy bodies, has recommended in a soon-to-be-published report that "the public sector commit to assessing and addressing the need for appropriate and flexible Production Build Space that would attract and retain businesses, business activity and investment." Moreover, Scottish Screen has gathered information on productions that have considered Scotland for productions, but, in the end, not shot in Scotland.

12. This study has focussed on the feasibility of a relatively low cost production and build space rather than the fully specified studio or more ambitious mixed developments that have been explored previously.

The arguments against a production space

13. Those that disagree with a production space tend not to be against the idea of a space *per se*, but tend to feel that there are higher priorities for public sector involvement. One that is often mentioned – across television and film – is that of a production fund to support production activity taking place in Scotland. These kinds of funds exist in many parts of the UK – notably in Wales and Northern Ireland (see 20 below) – and are a strong element of the offer to producers.

14. Another type of support that is often mentioned by television production companies is assistance in building relationships with broadcasters. This can vary from funding to hire individuals that have those relationships, to support for the costs of the frequent trips to London that are required to develop relationships with commissioners.

15. Another concern regarding public sector involvement in a production space is how such an intervention would be structured, who would manage such a facility, and whether such support could be compatible with European state aid rules (see Section 4).

16. Lastly, it is said by some that existing facilities in Dumbarton and Film City Glasgow, along with the temporary space that "comes and goes" – though not perfect – are adequate for the needs of the production sector.

Our findings – views of the sector

17. In general, most TV professionals in Scotland work in factual or factual entertainment. Therefore most of them tended to believe that there were other issues that were higher priorities than a production space. For the small number of producers active in TV drama, there was a division based on geography. Those that were based in Glasgow thought Dumbarton more or less adequate, though maybe needing some light improvements. Those based in Edinburgh argued for a more centrally located production space.

18. There are also examples of large entertainment TV productions having need of very large spaces. In the main, we found that most (including the BBC) believed that the facilities at Pacific Quay and other existing facilities were suited to most entertainment purposes. On the occasions that very large audience shows are filmed in Scotland, venues such as the SECC have been used successfully.

19. Those active in film – particularly those more involved with large inward investment production – tended to be more positive about a production space, feeling that Scotland had lost out to productions because of the lack of a production space. However, they also acknowledge that the lack of production funding has also been a factor.

20. There are recent incidences of large productions that considered Scotland ending up in Northern Ireland and Wales. Both have production funds, and both have production spaces, which for different reasons, can be offered to productions at very low costs. In the case of Northern Ireland, this is because the facility is a very basic one, which is not run as a commercial proposition. In the case of Wales, this is because the facility is in bankruptcy.

Our findings – production space criteria

21. We created a four-part matrix to consider the criteria in evaluation of production space alternatives. Further discussion of this is contained in Section 4 of this report. However, we considered production spaces which might be aimed at:

- high end film and TV drama series and features
- smaller film/TV drama features
- "Shiny floor" TV
- combinations of the above.

22. Location alternatives were considered to be:

- Glasgow/West of Scotland
- M8 corridor
- Edinburgh/West Lothian/East Lothian
- Stirling
- Perthshire
- M74 corridor.

23. Management alternatives were examined as:

- owned and managed by a public body (Creative Scotland or Scottish Enterprise)
- BBC managed
- managed by an existing operator (e.g. SECC or Film City Glasgow)
- a new commercial operator.

24. Specifications were considered in terms of:

- building dimensions and configurations
- access to facilities
- equipment availability
- additional space (parking, offices, storage)
- proximity to major city(ies)
- proximity to popular Scottish locations
- pricing.

Our findings – production space alternatives

25. As a result of this analysis, the following alternative candidates were analysed as to their likely feasibility and economic impact:

- Option 1: refurbished space in central belt – high ceiling
- Option 2: refurbished space in central belt – lower ceiling
- Option 3: upgrade to BBC's Dumbarton studios
- Option 4: space close to Film City Glasgow to be managed by Film City Glasgow
- Option 5: SECC
- Option 6: new build on M8 capable of film and high end TV drama.

26. Most of the production sector in Scotland is located in Glasgow and Edinburgh (around 88% of crew, by our estimates is based in the central belt). The natural place to locate a new facility, then, is on the M8 between the two. It would be make sense, if a new facility were to be found or built, that it would be capable of taking large films (subject to availability in the case of an existing space). Both West Lothian and Glasgow Councils are sympathetic to helping the sector to find a suitable location and are currently in the process of investigating specific possible sites.

27. Dumbarton Studios is owned and run by the BBC, and is used for TV drama production. The facilities, which are based around a refurbished whisky bottling plant, currently include two usable sheds available for hire. The remainder of the facility is used on a permanent basis by the BBC Scotland TV drama series, *River City.* The BBC has proposed improvements to the Dumbarton Studios that would involve an additional stage, upgrading an existing stage, and a new office building with improved production offices and ancillary services. It has offered to contribute land, infrastructure and expertise to a partnership which could operate new facilities at Dumbarton for the good of the industry as a whole – a model which could potentially allay concerns in some quarters related the BBC's level of control over studio operations in Scotland. This option is attractive in that it would build on infrastructure and systems already in place at Dumbarton for the commercial operation of studios, and it would increase the likelihood of the BBC using this Scottish base for its own future commissions. The key disadvantage of this option is that, at c. 5m-7m (16ft – 23ft) in height, the Dumbarton facilities are not really usable for larger film productions.

28. Film City Glasgow is the old town hall in Govan, (next to Pacific Quay) in Glasgow which has been converted into office and production space, including a 370 sq m (4,000 sq ft) auditorium with 14m (46 ft) of height. Film and TV drama has been shot there, and one entertainment show, *Iron Chef.* There may be suitable premises nearby Film City Glasgow which could potentially be acquired or leased and run by the existing management structures of Film City Glasgow (in the past, the property known as "The Shed" has been identified as a candidate). The management of Film City Glasgow is set up to deal with the requirements of film and TV productions so could be well-placed to step in as operator of additional production space.

29. SECC is a conference centre and entertainment venue that is primarily used for conferences, events, large entertainment concerts and shows. It has occasionally been used for TV production purposes – mainly either as a location (e.g. doubling as a hospital) or for live entertainment shows (e.g. the auditions rounds for the Scottish heats of *The X Factor).* There are plans to extend the SECC, building a National Arena for live entertainment events that will be opened in 2013. The SECC already has some capacity that may be suitable for production space and will potentially have more capacity once the arena is opened. The potential concerns with this approach is that this commercial operator is likely to require rental terms for the space that are above what productions – other than the largest films – are able to pay. The management are interested in investigating the feasibility of offering TV and film production as a new revenue stream for the business. There may be an opportunity to sound-proof at least one of the SECC spaces to make it more suitable for high-quality film/TV drama productions.

30. There have been from time to time suggestions of studio/production spaces in other parts of Scotland, and indeed there is a studio on Skye and one in Stornoway, both used for Gaelic production. It may well be useful to be aware of possible spaces in different parts of Scotland. However, few of our consultees proposed a permanent production space in such a location on the grounds both of value for money and feasibility. (Indeed, historically many such proposals have been for loss-making studios associated with other real estate ventures.)

31. We have compiled estimates of economic impact arising from each of the above options, covering the direct turnover effects associated with production and the associated GVA. We have also calculated estimated indirect effects. These are based on assumptions influenced by consultations with the industry, performance of comparator sites and industry trends. These assumptions are detailed in full in Section 7. However, the main points include:

- Initially, film productions are what we have referred to as "location plus" productions – i.e. they come to Scotland for locations, and use the production space for weather cover and a small amount of interior shooting. However, as comfort grows with Scotland as a location for stage work, eventually a Scottish-based film production is attracted to the production space – i.e. a film bases its entire production out of Scotland and conducts the majority of its stage work at the production space.
- A space capable of accommodating TV dramas is able to attract TV drama 'singles' and 'series' to shoot in Scotland, and that the BBC's commitment to Scottish TV drama production is, in fact, met.

32. The cumulative gross direct and net Gross Value Added (GVA) benefits are expected to be in the order of those set out in Table 1, for the period to 2021/22.

Table 1: Cumulative gross and net GVA impacts to 2021/22

Options	Gross direct GVA	Net GVA (after multipliers and additionality assumptions)
1: Refurbished space in central belt - high ceiling	£133m	£104m
2: Refurbished space in central belt - lower ceiling	£13m	£16m

Options	Gross direct GVA	Net GVA (after multipliers and additionality assumptions)
3: Upgrade to BBC's Dumbarton Studios	£13m	£20m
4: Space close to Film City Glasgow to be managed by Film City Glasgow	£133m	£104m
5: SECC	£133m	£104m
6: A new build on the M8 capable of film and high end TV drama	£114m	£89m

Source: SQW calculations

33. A summary of the indicative costs for each option is provided in Table 2. The fixed costs have been kept to a minimum for each option.

Table 2: Indicative incremental costs associated with each option

Options	Capital costs – over five years	Incremental operational/running costs – over five years	Capital costs – over ten years	Incremental operational/running costs – over ten years
1: Refurbished space in central belt - high ceiling	£0.9m	£1.2m	£0.9m	£2.6m
2: Refurbished space in central belt - lower ceiling	£0.9m	£1.0m	£0.9m	£2.2m
3: Upgrade to BBC's Dumbarton Studios[2]	£0.9m	£0.3m	£0.9m	£0.7m
4: Space close to Film City Glasgow to be managed by Film City Glasgow	£0.9m	£1.1m	£0.9m	£2.3m
5: SECC	£0.2m	£0.1m	£0.2m	£0.3m
6: A new build on the M8 capable of film and high end TV drama	£6m	£0.3m	£6m	£0.9m

Source: SQW calculations

34. Our calculations are heavily based on assumptions based on background quantitative evidence and 'best guesses' built on consultations with stakeholders from the industry and from public bodies representing and involved with the Scottish film industry. These caveats should be borne in mind when considering the impact results of each option. In summary:

- option 1 (refurbished space in central belt - high ceiling) will create £104 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £27.30 in GVA (i.e. a Benefit Cost Ratio of 27.3)
- option 2 (refurbished space in central belt – low ceiling) will create £16 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £4.90 in GVA (i.e. a Benefit Cost Ratio of 4.9)

[2] For the purposes of this options analysis, we have used a refurbishment cost similar to that for option 2, reflecting the indicative costs associated with the expansion of studio capacity at Dumbarton, and excluding wider costs associated with the proposed development of new offices and ancillary services (which are not included in the other options)

- option 3 (upgrade to BBC's Dumbarton Studios) will create £20 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £10.80 in GVA (i.e. a Benefit Cost Ratio of 10.8)
- option 4 (space close to Film City Glasgow to be managed by Film City Glasgow) will create £104 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £29.30 in GVA (i.e. a Benefit Cost Ratio of 29.3)
- option 5 (SECC) will create £104 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £191.70 in GVA (i.e. a Benefit Cost Ratio of 191.7)
- option 6 (a new build on the M8 capable of film and high end TV drama) will create £89 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £11 in GVA (i.e. a Benefit Cost Ratio of 11.0) .

35. These Benefit Cost Ratios (BCRs) are sensitive, however, to our assumptions on capital costs and, in particular, on the extent to which (relatively high expenditure) new feature film production activities are attracted to Scotland. The latter is dependent on external factors, such as the availability of UK tax breaks and the value of sterling. If we increase capital cost assumptions for all options by 10% (except for the SECC option 5, for which we increase capital costs by 200%, given the relatively high uncertainty over our indicative cost estimate for soundproofing), and set all assumptions on film production to zero (i.e. a TV-only scenario), then the range of BCRs becomes much narrower, with option 5 (SECC) still having the highest BCR[3] at 14.2, followed by option 3 (Dumbarton) at 10.2. The lowest BCR on this sensitivity test is the new build option 6, at a BCR of 1.4.

36. We have looked at the indicative cashflows of the different options. With the assumptions we have used for average utilisation, indicative costs and pricing only one option (SECC) appears to offer the prospect of the incremental annual income (from film and TV productions) exceeding the incremental annual costs of making the space available. We have found that there is no possibility of most of these options covering the costs of commercial rental values and rates from income from film and television productions. This is due to the costs of making the studios available when they are only used for part of the year.

Recommendations

37. The highest economic value comes from the provision of a shooting space that is able to accommodate a large inward investment feature. The major uncertainty about this approach is that it relies to a great extent on two important factors that are out of the control of Scotland – the continuation both of the UK's film tax credit and the weak sterling. For the purposes of the analysis conducted here, we have assumed that these two factors remain as they are currently.

[3] Note that incremental operational costs, as well as capital costs, are included in the BCR calculations. A key advantage for the SECC option in these BCR estimates is that we assume that non-domestic rates are already being paid on the space at SECC, whereas the other new or refurbished spaces will attract rates that were not previously being paid. Furthermore, options 1,2 and 4 involve paying commercial rental to the existing owner of the space.

38. Secondly, as has been mentioned, the attractiveness of Scotland for visiting productions would be substantially increased by the implementation of some sort of production fund. We understand that recommendations on a production fund are outside the scope of the current assignment. However, the recommendations of this report are based on the assumption that Scotland is competitive with other UK production locations. This is likely to involve the existence of a production fund for film and television – preferable on the Northern Ireland model – i.e. a fund available for investment in "cultural projects", notified and cleared by the European Commission.

39. Based on this, we recommend that there be continued work with the local councils including Edinburgh, Glasgow, West Lothian and Lanarkshire to try to find a suitable property that is within the council's ownership and is in vacant possession. The guideline of being located within the M8 corridor/central belt should be observed, but as the main constraint for film and TV drama production is ceiling height, there may be a need to consider a wider geographic range. We do not recommend that substantial investment be made on such a facility prior to it being used for production, but rather that a location be identified and "marketed" (see below), and once interest has been generated, then the required investment be made. If such a property is provided on a low cost basis without substantial improvements, in a similar way to Northern Ireland's Painthall, it is likely that state aid issues can be avoided.

40. At the same time, the option of adapting the SECC for TV and film production purposes should be investigated further. The SECC management should be encouraged to consider the space as a temporary location for film and television production at rates that are affordable by the sector. In addition, links between Film City Glasgow and SECC that may be beneficial to both parties should be investigated.

41. Clearly, any further investment by the BBC in its Dumbarton Studios is to be welcomed and encouraged, as this will serve to enhance Scotland's capacity and credibility for TV production.

42. Whether or not these possibilities lead to successful outcomes, there is a case for the relevant public sector agencies, Creative Scotland and Scottish Enterprise, to continue to promote suitable vacant properties to the film and TV sectors. Where the properties are available on a shorter term basis, there may be the option of paying rents only when the facilities are in use.

43. Longer term, if the selected solution proves successful in attracting inward investment film and TV drama productions, it may then be reasonable to re-visit the issue of feasibility. If levels of demand had been sufficiently proven at this point, then there may be a case for scaling up to a more permanent and higher specification facility.

44. Alongside the provision of production and build space, Creative Scotland and Scottish Enterprise must also consider Scotland's competitiveness for film and TV drama production and look to address disparities that exist in the skills base, availability of talent and, as a priority, production finance and incentives. It would be most useful to position plans for production and build space within a broader "road-map" for the sector that would set out aspirations; necessary infrastructure, skills and support to reach these; and a timescale with milestones identified.

45. Two further points are worth mentioning. First, as discussed, most of the existing Scottish sector does not currently believe that the provision of a production space is a priority. This is because the benefits of our recommendations will accrue to the Scottish economy and the production sector, as it evolves in the longer term. Benefits to current (principally factual) television producers and current (principally low-budget) film producers will come over time as the infrastructure of the Scottish production sector develops.

46. Lastly, if these strategies are taken on board, they will need to be accompanied by an organised process of marketing the availability and potential of such facilities. On the film side, it will be necessary to make links with the Office of the British Film Commissioner (OBFC), a division of the UK Film Council (UKFC), and particularly with OBFC staff working in the UKFC's Los Angeles office[4]. On the television side, there should be outreach to broadcasters, and to production companies based in Scotland and London, to raise awareness of the availability of these facilities.

[4] And with any organisations taking on these functions, on the closure of the Film Council.

1: Background to the study

Introduction to the study

1.1 SQW Consulting and Available Light Advisory have been commissioned by Scottish Enterprise to provide a clear overview of the potential requirement for additional production film/television production space in Scotland (the Study), and any subsequent benefits which may be derived from additional space. This report has been informed by the following research activities:

- desk research considering data on production levels, comparators, property and industry trends
- consultations with a range of representatives from the industry and associated agencies, including some based in Scotland, others within comparator settings and some with an international perspective
- a "round table" discussion to test out the short-listed options.

1.2 A list of consultees is provided in **Annex A**. All the assumptions that have been fed into our models are based on public domain data and our interpretation of guidance provided by consultees.

Background to the study

1.3 This study was commissioned in response to the recommendations of a report produced by the Scottish Television Broadcast and Production Working Group[5]. This group had itself been assembled to follow on the recommended actions of the recent Scottish Broadcasting Commission (SBC)[6] that were published in the final report, "Final Report - Platform for Success"[7].

1.4 The Scottish Broadcasting Commission (SBC) recommendations include:

- That the BBC and Channel 4 secure 8.6% of network television production from Scotland by the end of 2012
- The creation of a new Scottish Network
- The BBC establishes and maintains a network commissioning presence in Scotland.

1.5 In work carried out by PwC in 2008, scenarios for future growth potential were developed based on best and worst case scenarios. These are shown in Table 1-1.

[5] *Growing the Television Broadcast and Production Sector in Scotland*, Recommendations of the Television Broadcast and Production Working Group, March 2010
[6] http://www.scottishbroadcastingcommission.gov.uk/
[7] Scottish Broadcast Commission, *Final Report: Platform for Success,* September 2008

Table 1-1: Potential future impacts – worst case scenario 2012

Impact	Current impacts	Future impacts	Marginal change
Direct income (£m)	111	114	3
Induced (£m)	104	107	3
Total (£m)	215	221	3
Employment	2,910	2,991	81
GVA (£m)	154	158	4

Source: PWC "Economic impact of the Broadcast Industry in Scotland"

Table 1-2: Potential future impacts – best case scenario 2012

Impact	Current impacts	Future impacts	Marginal change
Direct income (£m)	111	217	106
Induced (£m)	104	204	100
Total (£m)	215	421	206
Employment	2,910	5,689	2,779
GVA (£m)	154	302	148

Source: PWC "Economic impact of the Broadcast Industry in Scotland"

1.6 The worst case scenario assumes that the uplift in BBC expenditure does not happen, that there is a reduction in Channel 4 and ITV expenditure and that the Scottish Network is not set up.

1.7 The best case scenario assumes that BBC and Channel 4 spend meets 8.6% by 2012, that ITV spend remains at current (2008) levels and that the Scottish Network was established.

1.8 Moreover, the PWC work also looked at three possible growth scenarios with varying degrees of indigenous growth as well as the two scenarios for commission targets being met or not met.

- The first scenario considered is called "significant supply-side constraints" and is typified by low growth and commission targets not being met. Under this scenario the sector suffers due to insufficiently skilled workforce, lack of production facilities and limited content delivery from local production companies. One of the key problems identified that could lead to this scenario is the predominance of factual programming and lack of focus on TV drama and other genres (thereby limiting the opportunities for indigenous companies to respond to future market demand).
- The second scenario is called "Inward investor led". Under this scenario the targets for commissions are met, but largely delivered through Inward investment companies relocating to Scotland. This type of growth is not considered to result in sustainable growth of the local broadcasting sector.
- The third scenario is called "high growth, high clustering" and involves both indigenous growth of the sector and Inward investment firms. The work identifies that this scenario, while being the most desirable, may be unrealistic due to supply-side constraints.

1.9 Some of the issues raised across different pieces of research and reported again (summarised from previous reports) in "Platform for Success" include:

- The need to develop closer relationships between production companies and commissioning editors.
- The requirement for Scotland to build expertise in other genres than factual. Issue is being capable of winning "returning commissions".
- A shortage of critical talent in Scotland, resulting from the decline in production over the past years. As identified by research by Skillset[8] that highlights concerns in programme innovation, deal structuring, cross-media ownership, IP management and multi-platform skills.
- Low level of collaboration in the sector relative to the opportunities perceived to be at stake in securing network productions.

1.10 The report is clear that certain things need to happen in order for the best case scenario to be achieved (where the sector effectively doubles in size). These include:

- commissioning decisions made by broadcasters
- an industry base in Scotland that is able to respond to increase demand with innovative content that meets the needs of broadcasters
- funding being secured for the digital channel
- competing with other nations/regions to attract inward investment, companies of scale and talent
- providing opportunities for companies to develop, produce and exploit IPR in UK and international markets
- ensuring that individuals and companies have up to date skills and market intelligence that allow them to respond to the requirements of commissioners across a range of genres and platforms
- the availability of labour, services and facilities
- appropriate levels of support from the public sector.

1.11 This report recommended the establishment of the TV Production Working Group that has gone on to set the industry priorities, including recommending that our current study looking at the feasibility of production and build space be commissioned.

[8] Skillset report, 2008

2: Overview of the sectors

Overview of the TV sector in Scotland

2.1 According to figures quoted by Ofcom[9], spend on programmes for viewers in Scotland totalled £54m in 2008 (18% of the UK-wide figure), down by 20% or £13m in 12 months (the UK-wide average was -10%) and by 8% per year since 2003 (the nationwide figure was -6% per year). Much of the 2008 reduction was explained by changes in BBC spend. This reduction was driven by a variety of factors including (i) reallocation of spend on Gaelic television programming from BBC Two to BBC ALBA (ii) reduced spending on election coverage and sports rights (iii) additional reductions in programme production (iv) reallocation of spend out of BBC Scotland's programming budget.

2.2 A further £50m (2.5% of total spend) was spent in Scotland producing programmes that were shown UK-wide.

2.3 PACT commissioned research looking at TV production in the nations and regions of the UK in 2008[10]. At this time Scotland's network hours had seen an increase from 264 in 2006 to 298 in 2007 (a year on year increase of 13%). However, the report authors pointed out that this increase in hours was not matched by an increase in value (which was estimated to have fallen by 3%) and was still way behind the peak level of 2004 (364 hours). The report cites a major increase in network production for BBC1 (101 hours in 2007 compared to just 55 the previous year) but a decrease in commissions from both Channel 4 and ITV.

2.4 In general most of the TV professionals in Scotland work in factual or factual entertainment. In 2007 the predominant genres of independent network production in Scotland were factual (31% of total output) and factual entertainment (30% of total output). During 2007, only two hours of independent TV drama were sourced from Scotland.

Recent productions

2.5 According to Scottish Screen, TV productions filmed in Scotland in 2009 included those shown in Table 2-1. Of these, Garrow's Law, has been filmed at the BBC's studios at Dumbarton, the X Factor made use of the facilities at the SECC in Glasgow, we believe that Rab C Nesbitt was filmed at the Comedy Unit's own TV studios in Glasgow and other productions were mainly locations-based.

Table 2-1: TV drama productions in Scotland

Programme	Locations
Garrow's Law	Dumbarton, Edinburgh University
Whiteout	Stockbridge, Abbotsford
Happy Holidays	Kilwinning, Glasgow
History Of Scottish Portraits	National Gallery, Atholl, Loch Katrine, Kelvingrove

[9] Ofcom, *Communications Market Report: Scotland 2009*
[10] *Nations and Regions – A report for PACT*, Attentional, November 2008

Programme	Locations
A History Of Scotland	Scotland
Jonathan Meads: Off Kilter	Scotland
Gary: Tank Commander	Glasgow
X Factor	Glasgow SECC
Rab C Nesbitt	Glasgow
Scotland Goes To War	Scotland
The Culture Show (Edinburgh Festival)	Edinburgh
The Hour	Scotland

Source: Scottish Screen

2.6 A more comprehensive set of TV drama series and TV drama features from 2005 to 2009 is summarised in **Annex B**.

2.7 The estimated value of these productions are:

- over £60 million for TV drama series, of which around £50 million was Scottish spend over the five years
- around £17 million for TV drama features, of which around £8 million is estimated to be Scottish spend over the same period.

2.8 A large proportion of these productions are Scottish only. There is a shortage of network productions that are shown across the UK and are suitable for export to international markets.

Ambitions for the TV sector

2.9 According to Scottish Enterprise's strategy for the sector[11] Scotland's Broadcast and TV production sector has an unprecedented growth opportunity, involving a potential near-doubling of direct employment to nearly 5,700 people and additional income of more than £200 million by 2012. The strategy identifies Scotland as having a "unique opportunity to capitalise on [these] many changes". The "critical change" as determined by the strategy, is "the development of industrial scale which will see the emergence of a number of strong high-growth TV production companies…which will add significantly to Scotland's long term production capability in both scale and breadth of genre".

2.10 The strategy document goes on to say that sustainability of the sector "will be maximised by focusing support on indigenous companies looking to achieve significant growth in the sector and inward investors who look to establish a deep presence in Scotland." It highlights the fact that "the success of the sector is also dependent on the development of a vibrant ecosystem of companies, projects and skills…".

[11] Scottish Enterprise, *Building the "Platform for Success" Economic Development Strategy for Scotland's Broadcast Sector*, March 2009

2.11 As set out in "Growing the Television Broadcast and Production Sector in Scotland", the report by the Television Broadcast and Production Working Group[12], there are ambitious aims for the TV sector in Scotland, defined in the report as follows:

- Increase the annual turnover of the sector across broadcasters and independent production companies from £215m to £346m by 2013.
- Increase employment across broadcasters and independent production companies from 2,910 to 4,676 by 2013.
- Increase the scale of independent production companies, increasing the number of independent production companies with a turnover of £10m with a substantive base in Scotland from 1 to 6 by 2013.
- To achieve a critical mass of high value, high volume TV drama production produced by independent production companies with a substantive base in Scotland to an annual value of £30m by 2013.
- To build on Scotland's existing strengths in the factual genre, increasing turnover by 200% by 2013.
- To encourage development of production in daytime, entertainment, comedy and children's production, increasing turnover by at least 100% by 2013.

2.12 There is likely to be a requirement of some public sector support and intervention in order to achieve these aims.

2.13 The report identifies that:

> *"The BBC has already committed to increasing the volume and value of network production from Scotland to at least 9% per annum – which would provide an additional £50m investment in the Scottish production sector per annum by 2016. Channel 4 is committed to increasing the volume and value of production from Scotland where possible. However, Channel 4's remit is changing as a consequence of the Digital Britain report and the subsequent Digital Economy Bill. It will be expected to increase its public media purposes on the most appropriate platforms, which will include television, new digital media platforms and film. C4 is required by licence to produce 3% of it original programme budget in the Nations, and Ofcom have not indicated any intention to adjust this aspect of Channel 4's licence."*

2.14 It sets out the objectives for the television sector as:

- to improve Scotland's competitive position in the television production sector at UK and international levels
- to build the scale of businesses, business activity, skills and investment in Scotland's television production sector

[12] *Growing the Television Broadcast and Production Sector in Scotland*, Recommendations of the Television Broadcast and Production Working Group, March 2010

- to attract businesses, business activity, skills and investment to Scotland
- to develop creative leadership and build the talent base in Scotland.

2.15 One of the recommendations for the public sector, arising from this report is:

> *"Scotland's public sector will assess and address the need for appropriate and flexible Production Build Space that would attract and retain businesses, business activity and investment."*

2.16 The proposed action is:

> *"That the public sector, with input from the BBC, will commission an options analysis of the need for appropriate and flexible production build space and assess how that need will be addressed."*

2.17 The BBC estimates that if it reaches its target of three returning TV drama series per year produced in Scotland, this would create more than 300 jobs[13].

Overview of Film sector in Scotland

Film production in the UK

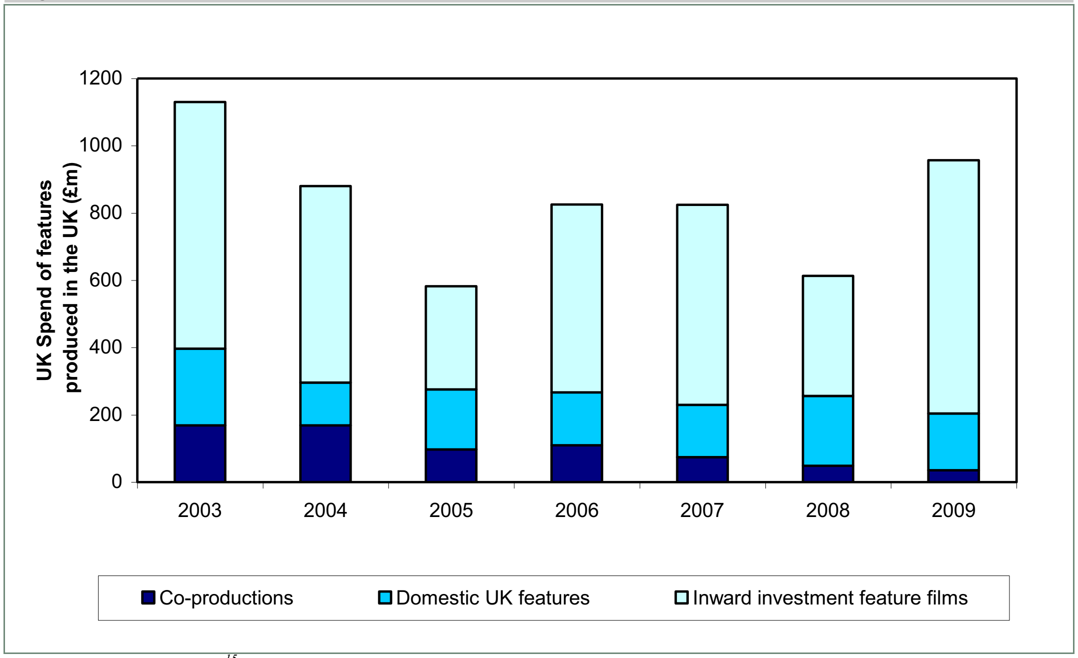
2.18 Feature film production in the UK is dominated by films initiated by US majors, which each year account for between 60% and 75% of total UK production spend. The UK is a popular destination because of the high standard of UK acting talent, crew and facilities, and the fact that the UK is a familiar, safe and English-speaking location. However, the actual amount of production that takes place in the UK varies from year to year depending on the UK's cost competitiveness. Two factors drive that competitiveness, the attractiveness of UK fiscal incentives for film (in comparison to those that exist in other countries) and exchange rates.

2.19 A new UK fiscal incentive was introduced in 2007, which is very competitive. It is a tax mechanism, but it essentially rebates 20%[14] of UK production spend on films that pass a UK Cultural Test. This includes spend on elements brought into the UK, such as compensation for US stars when shooting in the UK. The UK Cultural Test is a points-based enumeration of UK cultural content and use of UK talent, crew and facilities. Initially there were concerns about the restrictiveness of this test, but it has proven to be fairly flexible.

2.20 Because of growing familiarity and comfort with this incentive structure, and the dramatic depreciation of sterling against the dollar in 2008, 'inward investment' production increased to £753m in 2009, compared to £357m in 2008 (Figure 2-1).

[13] Unpublished figures provided by the BBC
[14] The 20% applies for films budgeted at £20m and over. The total rebate is capped at 16% of the film's budget.

Figure 2-1: UK spend of features from 2003 - 2009



Source: UK Film Council[15]

Nature of films greenlit

2.21 The UK is an obvious candidate for films set in the UK. It is also a candidate for films not set in the UK, but which require substantial set construction on studio stages, at which the UK excels – so long as those films can pass the UK cultural test - such as the *Batman* series with its UK writer/director team (the Nolan brothers).

2.22 Apart from simple cost competitiveness, continued inward investment production requires that films continue to get 'greenlit' by US majors for which UK is a candidate. It also requires continued willingness of US majors to, where necessary, adjust creative elements of their non-UK set films, such that they pass the UK Cultural Test. We are assuming here that the UK incentive and associated Cultural Test will remain in their approximate current form.

Film production in Scotland

2.23 According to the UK Film Council's Statistical Yearbook for 2009, Scotland is home to 275 film production companies, representing 3.4% of the UK total. In addition, the same research found 10 distribution companies, or 2.2% of the UK total.

2.24 Net spend by Scottish Screen in 2007/8 was £7.5 million, more than any of the regional screen agencies in England. Large films supported during this period by Scottish Screen were:

Table 2-2: Feature films supported by Scottish Screen in 2007/8

Film	Scottish Screen support
The Book of Blood	£500,000
Stone of Destiny	£440,000

[15] http://www.ukfilmcouncil.org.uk/media/pdf/j/i/2009_Full_Year_Production_Report_Final_Version.pdf

Film	Scottish Screen support
Doomsday	£300,000
New Town Killers	£250,000

Source: UK Film Council

2.25 Between 2006 and 2008, UK Film Council estimated that Scottish Screen invested £10 million on six film titles, including those noted above and *Wide Open Spaces* and *Rounding up Donkeys*.

2.26 Details of films shot in Scotland from 2005 to 2009 are provided in **Annex C**. In total the production budgets for these films totalled over £880 million. The share of these budgets coming to Scotland is estimated to amount to around £27 million. Most of these films, particularly those with the higher budgets, come to Scotland for location work. Few have filmed the interiors and set work in Scotland, possibly due to lack of production space. It is clear from these figures that even converting a small number of Inward investment film productions to use a Scottish based production facility could have a large impact on the local economy.

2.27 A selection of the films that were shot in Scotland in 2009 is shown in Table 2-3. The locations used by these productions are also listed in the table.

Table 2-3: Film productions in Scotland, 2009

Film	Locations
The Wicker Tree	Haddington, Gosford, North Middleton, Arniston
A House In Berlin	Portpatrick, Kilantringan Bay
Eagle Of The Ninth	Achintibuie, Glen Luss, Crainlarich, Dumbarton
NEDS	Lourdes Secondary, Mountblow, Maryhill
Outcast	Edinburgh, Grassmarket, St. Giles Cathedral, Scottish Mining Museum
Crying With Laughter	Whatton Lodge (Gullane), Edinburgh
Centurion Aviemore,	Fort William, Rannoch Moor/Glencoe, Rothiemurchus
Legacy	Film City Glasgow
Imogene	Fife, Edinburgh, Glasgow, Borders

Source: Scottish Screen

2.28 Out of these, only four are included within the UK Film Council's list of film productions with budgets over £500,000. These are:

- *Eagle of the Ninth* – an Inward investment US production, albeit with Scottish/ UK above-the-line talent.
- *NEDS* - a European co-production, with support from the UK Film Council's New Cinema Fund
- *Outcast* – a UK-Irish co-production
- *The Wicker Tree* – a domestic feature.

3: The case for production and build space

Need for a production and build space

3.1 Working from the report of the Television Broadcast and Production Group, the drive for investigating the need for production and build space to support television production is based on the aim:

- to achieve a critical mass of high value, high volume TV drama production produced by independent production companies with a substantive base in Scotland to an annual value of £30m by 2013.

3.2 In addition, there is also a case from the perspective of film-making, that if Scotland was able to offer production and build space alongside its impressive array of locations, then it would be better placed to secure inward investment feature films with large production budgets, and might also support higher budgeted indigenous films.

Nature of studio production

3.3 Feature filmmaking requires 'stages' that are large and high – at least 650 sq m (7,000 sq. ft). and preferably 1,400 – 1,900 sq m (15,000 to 20,000 sq ft) with sufficient height clearance – at least 10.5 m (35 feet) and preferably 14 m (45 feet). Sound proofing is preferable, unless a stage is only to be used for 'silent shooting'. Associated workshop and office space is essential, as is security and the ability to control who and what enters the facility. Such additional capabilities as dressing rooms and costume and make-up rooms can be supplied alongside stages, but can also be rented separately in trucks. Most stages are rented on a 'four-waller' or 'dry hire' basis – i.e. without any lighting, grip or camera equipment, all of which is rented separately by the production company, though in fully developed studios, such as Pinewood, rental companies will actually be situated "on the lot".

3.4 It is most desirable if studios are located near qualified crew (so they do not need to be put up in hotels and paid per diems), near transport links and near good hotels for star actors. However, because of the large areas required for stages and the comparatively low studio rental charges (compared to area required), it is difficult for commercial studio operation to obtain the returns required for property located centrally. Thus there is always a tension about studio location, and a number of UK studios are located on or around the M25.

3.5 Though indigenous UK films and television production make some use of studios, stages of the scale of the larger Pinewood/Shepperton and Leavesden Studios stages are principally used by high budget inward investment productions.

Temporary space

3.6 As an alternative to rental of a commercial studio, a production can always take over warehouse or hangar space (so long as it is not close to a source of noise). The disadvantage is that expenditure may need to be made to provide utilities and security. However, it is likely to be substantially cheaper than rental of a fully equipped studio.

3.7 At the current time, with substantial production coming into the UK, there is a shortage of stage space in the London area, and a number of temporary spaces have been pressed into service to meet the demand for stage space.

TV drama

3.8 Unlike conventional studio-based TV shows, the requirements of TV dramas are similar to those of feature films, requiring large, open stages in which to construct their sets. They don't generally need lighting rigs or a gallery so don't have to pay for a fully equipped television studio.

Other TV uses

3.9 As a general rule, the genre of programme makes little difference in terms of what's required from the studio. By far the most important factor is whether the show has an audience.

3.10 Unlike film studios, within TV studios, good facilities are required for audience receiving and handling and for dealing with talent. For TV, the producers expect to have high standard production offices, green rooms, make-up etc. whereas for film (and TV drama) more basic accommodation is usually sufficient. Moreover, for film and TV drama production, provided the production space is suitable and there is access space round about the facility, production offices can be brought in cost-effectively in the form of portakabins.

3.11 Even within TV, there is some shift towards a more "rough and ready" approach to audience-based shows. For example, *Iron Chef* used Film City Glasgow, making use of the existing stage that was in the hall and dressing with their own "shiny floor". With constraints of budgets and space availability, these formats will use what is available.

Feedback from stakeholders

3.12 The feeling on the part of some Scottish based firms working within TV was that in order to meet this aim for TV drama production, then a space may help make some difference. However, we also got strong feedback that the space probably was not by any means the most pressing issue.

3.13 Other important factors include the following:

- Aligning the stated commitment from commissioners at the broadcasters (notably the BBC) to actually commission TV dramas from Scotland.
- Associated with that, is a perceived need for Scotland to be able to compete for TV drama commissions with the other nations and regions that offer production incentives (e.g. Wales reportedly offers up to £400,000; Northern Ireland up to £500,000 and the English regions also invest in supporting both film and TV drama production). We understand that this issue is being investigated separately to this research.

- Vitally, too, there needs to be access to both creative and production talent in Scotland of a standard that meets the broadcasters' requirements. This is both about building capacity and relationships with the commissioners. There is something of a "chicken and egg" problem here with a lack of track record amongst indigenous Scottish production companies contributing to the lack of commissions.

3.14 Given that there are very few drama-based TV producers based in Scotland currently, then it is unlikely that the provision of a production space for TV drama is going to be high on the agenda for many Scottish companies. There is a more fundamental issue in terms of the need to build capacity in the sector (either through indigenous growth, a shift to TV drama production amongst existing Scottish based firms, or by attracting firms from elsewhere to inwardly invest in Scotland).

3.15 We do not investigate these complex factors in depth in this report, as they are outwith the scope of our research. However, we feel that to ignore these factors and present demand and benefits of production and build space in isolation would also be a mistake, given that there are very clear indications that the provision of the space itself will not solve the challenges facing Scotland's TV sector. Moreover, it will not even fully address the aim (stated above) relating specifically to levels of TV drama production in Scotland.

Current provision of production and build space

3.16 The Scottish Screen publication, Studio facilities in Scotland[16] includes the details for eight facilities in Scotland. These are summarised in Table 3-1.

Table 3-1: Summary of studio facilities in Scotland

Studio	Comments
BBC Scotland: Dumbarton Studios	Home of River City, the BBC has converted a whisky bottling plant to create a number of studios plus a full size back-lot. With sound-proofing and full black-out. Production offices, wardrobe, workshops and canteen all on site, however, these tend to be used by River City. Some producers said that they the BBC prioritise their own productions. The BBC has plans to extend provision for third party productions.
BBC Scotland: Pacific Quay	State of the art TV studios located within the BBC's new premises at Pacific Quay in Glasgow. Well used and booked in advance. Most suitable for entertainment, shiny floor shows and for sit-coms etc.
Film City Glasgow	Film City Glasgow has been used for a number of productions – including small film productions and, most recently, the entertainment show, *Iron Chef*. The main hall has been used for production/build space but is too small for larger scale film or TV drama. The space was suitable for *Iron Chef* due to it having an existing stage. Film City Glasgow also offers well priced production offices, art department, wardrobe, props, storage, café, laundry as well as co-located post-production facilities. It is well placed for the Digital Media Quarter and the broadcasters at Pacific Quay and the management have a good reputation for "film friendliness". Some consultees indicated that the ease of using the facility made up for some of the restrictions on the size of the space.
The Comedy Unit	The Comedy Unit has a studio facility based in Craigmont Street in Glasgow. As well as being used for The Comedy Unit's own productions (including Rab C Nesbitt, Chewin' the Fat, Still Game, Karen Dumbar etc) it is also available to third parties. With sound-proofing and black-out it is suitable for small scale production, including sit-com but is not large enough for film or higher budget TV drama productions.

[16] *Studio facilities in Scotland*, Scottish Screen, February 2010

Studio	Comments
Effingee Productions	The Effingee Productions studio is relatively small and although there are also offices, art department, wardrobe etc, is really only suitable for smaller TV productions.
Edinburgh Film Studios	Small studio primarily suited to corporate videos, commercials and small scale TV production
Studio Fas – Isle of Skye	Mainly used for Gaelic programming. Suitable for small TV productions.

Source: Scottish Screen (list) and consultees (comments)

3.17 Current studio provision then is primarily based around facilities that are best suited for TV productions. Pacific Quay offers high quality TV studios with state of the art equipment. The BBC has indicated that the studios at Pacific Quay were carefully designed to ensure their suitability for a large proportion of their TV productions, excluding large scale TV dramas. In addition, they are let out to third parties, including ITV and the independent sector.

3.18 The studios at Pacific Quay have been used for many audience-based shows, such as *Postcode Lottery* and *Hole in the Wall*. However, they are not big enough for the really large productions like *X-Factor*. On occasion, the SECC has been used for productions such as *X-Factor*, *Eurovision Dance* and the *MOBO Awards*.

3.19 Facilities like those operated by The Comedy Unit and Effingee Productions are most suitable for lower budget comedy – sit-coms, for example. Film City Glasgow has been used for small films, as well as for a variety of TV work – most recently the factual entertainment show, *Iron Chef*. The studios on the Isle of Skye and Isle of Lewis are for TV, mainly servicing demand for Gaelic programme-making.

3.20 In addition, Scottish Screen's publication on studio and build space[17] sets out the details for other space that may be used for film and TV production uses. These are, in effect, details for a range of vacant industrial property set in Scotland's central belt. Some of these have been used for production and build purposes by different productions. It is fair to say that while some of these have been used successfully by productions on occasion, none are completely suitable for the purpose. The discussions that we had with representatives from the industry gave feedback on these properties. A summary of the feedback is presented in Table 3-2.

Table 3-2: Summary of the studio and build space included in the Scottish Screen Guide

Space	Comments
Cadzow, Hamilton	No sound-proofing and there is only partial black-out. Eaves heights are too low for film/high-end TV drama production, although free of internal pillars.
Caledonia Centre, Glasgow	Gym hall 167 sq m (1,800 sq ft) is suitable for small builds and production. Having the option of offices, showers, kitchen and other spaces is useful for productions. Restricted to smaller TV or very low budget film work. There is no sound-proofing and only partial black-out.
Craighill Road, Glasgow	Sufficiently large in terms of floor space, but the ceilings are not high and there are internal pillars. There is no sound-proofing and with windows in the roof, black-out is not provided either.
Cre8te, Edinburgh	Cre8te has been used by several previous productions including *Shoebox Zoe, Night People, Feel the Force and New Town Killers.* There is sound proofing and black-out for the main hall. The clear height is not ideal at just under 5 m (16 ft), although the provision of co-located offices is a positive point.

[17] Scottish Screen, Studio and build space, November 2009

Space	Comments
Evans Business Centre, Bellshill	Evans Business Centre in Bellshill has been used by several TV productions over the years. Its use is restricted, though, to smaller productions due to the dimensions – around 1,000 sq m (10,000 sq ft), with just 13 – 15 ft ceiling height. Office spaces and a café are provided but there is no black-out or sound-proofing.
Len Lothian, Edinburgh	Len Lothian in Edinburgh provides just over 3,000 sq m (34,000 sq ft) of space and the option of portakabin offices. However, the space is less than ideal for film and TV drama production given that there are internal pillars, roof windows and no sound-proofing. At 6m (19.5 ft), the roof height is not ideal either.
M8media, Glasgow	M8media provides accommodation more suited to smaller TV production – including green/blue screen work. It also provides post-production, editing and a digital grading/viewing cinema but is not suited to high end film and TV drama production.
Popmorphic Studios, East Kilbride	Similarly, Popmorphic Studios in East Kilbride is suitable for smaller productions and music videos.
Portman Street, Glasgow	Although Portman Street in Kinning Park, Glasgow offers a good size including high roof, the interior pillars will be a problem for film and TV drama production. There is office space available. There is currently no sound-proofing and only partial black-out.
Scottish Opera, Glasgow	The space at Scottish Opera's production space in Edington Street in Glasgow appears to be suitable for film and TV production. With full black-out and sound-proofing as well as good size.

Source: Scottish Screen

Other property available

3.21 We have been in touch with West Lothian Council as part of this research and we have made several searches on databases of industrial property. What we have found is:

- that there are relatively few properties available that provide suitable height for high budget film production purposes
- that the availability of properties changes, sometimes quite quickly; it will be more productive to investigate options at the next stage – with more developed specifications and once there can be a closer commitment to the project.

3.22 We have also spoken to Glasgow City Council, who have also agreed to investigate potential properties.

3.23 Other properties that are currently being marketed that may be of interest include:

- 249 Govan Road, Glasgow, which is currently being marketed by Jones Lang Lasalle and provides accommodation as follows:
    - 4 sheds ranging from 3,500 sq m to 520 sq ft (37,600 to 5,600 sq ft)
    - Office space of 320 sq m (3,400) sq ft.
- Edinburgh Distribution Park, currently marketed by King Sturge, offering accommodation as follows:
    - 1,800 sq m (20,000 sq ft) warehouse space with eaves height of around 9.7m (32 ft)
    - Small extension warehouse (workshop) of 78 sq m (730 sq ft)

  - Office block of 185 sq m (2,000 sq ft).

- Williamson North (Oakbank) Edinburgh is currently being marketed by Graham and Sibbald. It includes:
  - 2,100 sq m (23,000 sq ft) warehouse
  - 220 sq m (2,400 sq ft) offices
  - Eave height of 9.8m (32 ft) and no internal pillars.

3.24 None of these have the 10.5 – 14 m (35 – 45 ft) ceiling height that would ideally be required, but are close at around 9.8m (32 ft).

3.25 West Lothian and Glasgow Councils are both open to the possibility of providing low rent on a council owned property for the purposes of production space. This would significantly improve the sustainability of the project. However, at the time of writing the report the council had not yet found a suitable property. Other councils may also be open to a similar approach. Its location around the M8 corridor makes West Lothian an ideal setting and a Glasgow base would enhance the wider media production offer in the city.

3.26 However, we would suggest a more detailed investigation into potential property if a decision is made to pursue one of the options further.

Benefits of filming in Scotland

3.27 As well as some of the features having Scottish-based writers, crew and talent or being based on Scottish stories, the additional benefit of Scotland for film-makers is the range and quality of its locations. Looking at the list of productions in Table 2-3, we can see even among this small set of films, locations used vary from the urban settings of Lourdes Secondary School in Glasgow for *NEDS*, to Edinburgh city centre locations for *Outcast* and to the rural settings of the Scottish Highlands, Borders and the coastline for other productions.

3.28 Out of these films, the production spaces used included Dumbarton Studio, used for *Eagle of the Ninth* and Film City Glasgow, used for *Legacy*. However, we also have reports that Eagle of the Ninth transferred to Hungary for most of the studio-based shooting. This has been attributed to the lack of suitable studio provision in Scotland (although cost and economics should also be taken into account here). *Legacy* was a low budget film that managed to make effective use of the provision at Film City Glasgow.

3.29 There does not appear to have been any benefit to Scotland resulting from the shortage of capacity in film studios that has been noted in England. In England, spaces are being made in disused warehouses or aircraft hangars. Many film-makers (including large Hollywood productions), make use of temporary facilities in disused buildings including in other parts of the UK (e.g. Cardington Sheds in Bedfordshire and Longcross in Surrey) which can involve costs for site clearing/cleaning, making safe, security, installation of telecoms, heat, light, running water at the basic level and at an advanced level, some sound-proofing, rebuilding, installation of lighting rigs etc. Higher budget film productions can afford studio space but lower budget film productions often have substantial difficulty paying the fees of fully configured studio space.

3.30 The argument that stakeholders involved in the film sector have made during this research is that while Scotland attracts a number of large scale film productions that make use of the wide variety of locations (countryside, mountains, lakes, castles, beaches etc.) the country is missing out on getting better value from these productions due to the lack of production and build space. Over the past few years there have been some really substantial Inward investment foreign films shot in Scotland, including the Harry Potter franchise and the Da Vinci Code, for example. Continuing on from this, the film offices and others believe that a greater number of Inward investment films will be attracted if there is a suitable production and build space made available for their use.

3.31 In many cases such Inward investment films will be large budget Hollywood features that are attracted to the UK based on the benefits of the UK Tax incentive and currently (although this cannot be relied on longer term) on the favourable exchange rate (the dollar being currently strong against the pound). In addition to the key target of the Hollywood studios, the Scottish Government and Scottish Screen have together recently announced that the Indian film industry will also be a primary focus[18]. The Indian film industry is the largest in the world, although as experience has also demonstrated in Scotland, its budgets tend to be very low.

[18] Bollywood: http://thescotsman.scotsman.com/news/Holyrood-will-court-Bollywood-with.6185331.jp

4: Options

4.1 The parameters for the options that we have considered are set out in Figure 4-1 – varying by type, location, specifications and management model. We have tested these with various stakeholder consultees from the TV and film sectors.

4.2 Figure 4-1 outlines the main options that we have considered and sets out the specifications for different types of production and the pros and cons of different spaces.

Figure 4-1: Summary of the parameters considered for studio options

Type • High end film &TV drama • Smaller film/drama • Shiny floor (TV) • Multiple spaces • Adaptable spaces	**Management** • Owned & managed by a public body (CS, SE) • BBC managed • Managed by an existing operator (SECC, Film City Glasgow) • New commercial operator • New private/public body
Location • Glasgow/West of Scotland • M8 Corridor • Edinburgh/East Lothian • Stirling • Perthshire • M74 corridor	**Specifications** • Building dimensions & configurations • Access to facilities • Equipment • Additional space (parking, offices, storage) • Proximity to major cities • Proximity to locations • Pricing

Source: SQW

Type

4.3 In our discussions with the industry, the main demand seemed to be for studios that could support a range of film and TV drama productions. Many of those who have worked previously in these genres either go out of the country (including many who had positive experiences working at the Painthall in Northern Ireland) or use some form of make-shift facility. By far the most popular option in terms of overall specification was for large, good height, clear space (without pillars). Comfort tended to be a secondary concern, although aspects such as security, car parking and availability of suitable spaces for offices, storage, construction as well as the production itself were seen as essential as well as basic heating, water, services and toilets.

4.4 We did find some evidence, in addition, of demand for space in which to shoot shiny-floor TV. In the main, however, this can be accommodated by the BBC at Pacific Quay, athough several consultees raised the issue of cost at these studios. Several of the industry experts that we spoke to were of the opinion that temporary fixes for additional shiny-floor spaces would be quite adequate. For example, *Iron Chef* had run very successfully at Film City Glasgow. Rather than develop a production space specifically for such productions, the preference seemed to be for more adaptable spaces that would work primarily for film/TV drama but could also be adapted as and when required. Others were interested in extending the use of SECC for this purpose.

4.5 On balance we felt that the feedback from consultations showed that there is current provision for entertainment/factual entertainment genres – either at Pacific Quay, or at adapted premises. We have not been convinced about either the economics or the demand for more of this type of facility. The BBC's facility at Pacific Quay, with additional provision at Film City Glasgow and other sites, we feel is sufficient for most current and likely future levels of demand. The exception is for really large entertainment shows, which have previously used the SECC. If the SECC option is pursued and the premises upgraded, then this will have value too for entertainment. We do not suggest that any alternative provision be made for this genre as the commissions are few and far between and requirements can be very bespoke to the particular production.

Management

4.6 Consultees who had dealt previously with Film City Glasgow, would be happy to work through them for a wider package of options, so this has emerged as a potential management model. Overall, there were no strong views about management options, other than against the idea of the BBC having what would be seen as a monopoly on the provision of production and build space in Scotland. We note, however, that the BBC has offered to contribute land, infrastructure and expertise to a partnership which could operate new facilities at Dumbarton for the good of the industry as a whole – a model which could potentially allay concerns in some quarters related the BBC's level of control over studio operations in Scotland.

4.7 After considering the experience from some of the comparator studios, we suggest that whichever model of management is adopted, it should be one that can help minimise the fixed costs attached to the operation of the site. This is in order to mitigate against the level of risk and uncertainty and to help limit the need to cover year-round costs when the facility may well only be used for part of the year.

4.8 Given that both Scottish Screen and the film offices are already involved in marketing Scotland to Inward investment film and TV productions, it would make sense for the film offices, with Creative Scotland, to be actively involved in marketing the studio too and acting as a first port of call for enquiries. This is a similar approach to that now used by the studios in the Isle of Man, Northern Ireland and Wales.

4.9 If, after a period of operation, there is found to be more demand for the production space, then it may be useful then to reconsider the model and perhaps then employ more permanent staff.

Location

4.10 We tested the various location options with consultees. Unsurprisingly those based in Glasgow or West of Scotland tended to take a view that that the production/build space should be located there[19]. Edinburgh-based people argued that more above-the-line talent is located in Edinburgh, which is more frequently used as a film location and so the production/build space should be accessible to attract film-makers and producers who want to shoot locations and interiors close to Edinburgh. Moreover, this group argued that further investment in Glasgow would only further a discrepancy resulting from existing investments by the public sector in Glasgow's media industries.

4.11 On balance, the preferred locations seemed to be either M8 corridor – including West Lothian or Lanarkshire – or Glasgow, close to the DMQ/Film City Glasgow. Despite their proximity to Highland locations, neither Stirling nor Perthshire emerged as favourites, mainly as they would both involve further travelling from the main bases of crew and from airports.

Specifications

4.12 The specifications that have been suggested by many of the consultees are summarised in Table 4-1. As stated above, the clear message coming from this research is that the specifications of any production and build space does not need to be high in terms of finish and fit-out. These specifications are not listed in order of importance.

Table 4-1: Summary of specifications for the production/build space

On-site parking
Availability of site services – electrical, water, drainage
Office space, including toilets, phone-lines/internet access
Make-up and costume facilities (preferably including laundry)
Canteen or eating area
Suitable production power
Heating and ventilation
Acoustic treatment of internal surfaces
Acoustic doors
Facility for storage
Dressing rooms for artists
Props storage
Construction workshops
Possibility to expand office spaces with portacabins (if required)
Possible space for post-production facilities
Set storage facility
More than one space (to allow work on sets while unit is shooting in another studio)

[19] According to our estimates from Scottish Screen data, around 88% of crew are based in the central belt. **Annex D** shows a GIS representation of the distribution of crew members recorded in Film Bang.

Soundproofing
Height and preferably free of central columns
Ability to drive trucks into the stage

Source: Consultations with industry practitioners

Options

4.13 Keeping in mind reactions of stakeholder consultees to the parameters set out above, we also tested a short-list of options with a smaller group including:

- Option 1: Refurb space in central belt – high ceiling
- Option 2: Refurb space in central belt – lower ceiling
- Option 3: Upgrade to BBC's Dumbarton Studios
- Option 4: Space close to Film City Glasgow to be managed by Film City Glasgow
- Option 5: SECC
- Option 6: A new build on M8 capable of film and high end TV drama.

4.14 Other options were also considered at an earlier stage in the research – including, for example, a new development focussing on TV entertainment formats incorporating "shiny floor" studio.

Option 1: Refurb space in central belt – high ceiling

4.15 Most of the production sector in Scotland is located in Glasgow and Edinburgh (we estimate that around 88% of crew are based in the central belt[20]). There is a strong advantage to locating any production/build space within easy access of both these centres.

4.16 When shooting on location, a per diem charge to crew is payable, as well as overtime payments for longer then 10 hour days, including travel away from the defined production base. This means that there is a significant benefit in locating the production facility close to the crew base and, preferably close to other popular locations too.

4.17 Given that the main concentrations of film and TV crews are in Edinburgh and Glasgow, and that these represent too the centres for broadcast commissioning (Glasgow) and production it makes sense to many to locate the facility somewhere between the two cities. Taking travel time into account, the most frequently quoted locations are "somewhere along the M8".

4.18 Option 1 is for a refurbished space, located in the central belt, most likely along the M8 corridor. The obvious benefit of this option is that there are lower construction costs (and associated capital outlay). Currently, investigations with West Lothian Council are on-going. The Council is willing to consider making one of its own properties available at a low rent to encourage film and TV drama production in West Lothian.

[20] See Annex D

4.19 Potentially, this would tie in with the availability of office space that is also available, and being marketed specifically for the creative sector, at Blackburn House in West Lothian.

4.20 The current sticking point for this option is that West Lothian Council is struggling to identify available buildings with sufficient clear ceiling height to be suitable for film or high end TV drama production. For this reason, we have included Option 2, which is for a similar refurbishment but with a lower ceiling.

Option 2: Refurb space in central belt – lower ceiling

4.21 As above, the option is attractive in terms of location and would make a lot of sense in terms of making use of derelict or disused buildings, supporting the growth of the wider creative sector in West Lothian, and being potentially affordable for a range of productions.

4.22 The lower ceiling height would restrict the suitability and range of uses but may be a realistic choice for small and medium sized TV dramas and films. Currently, the council is considering lower ceiling heights as low as 7m (23 ft), as it has not found any vacant premises at the moment that are council-owned and have higher ceilings.

4.23 However, while it may be easier to find premises fitting this profile, we would not recommend investing in a production space that is not suitable for film-making as well as TV uses.

Option 3: Upgrade to BBC's Dumbarton Studios

4.24 The BBC favours plans to upgrade its studios at Dumbarton, and has had plans drawn up to this effect. The BBC regards the expansion of Dumbarton Studios as playing a key role in BBC Drama Scotland's long term strategy to *"create sustainable drama production community in Scotland"*.

4.25 To date, the BBC has invested an initial sum of £4.5 million in capital expenditure on the initial conversion of the former whisky bottling plant at Dumbarton, to a base suitable for a television studio, followed by a £0.5 million expansion to provide additional studio space and upgrades and further £350,000 in site maintenance and upgrading.

4.26 Recent productions that have been shot in Dumbarton Studios include *The Deep*, *Hope Springs*, *PAs*, *Garrow's Law*, and *How Not to Live Your Life*. Two of these – *Garrow's Law* and *How Not to Live Your Life* have been re-commissioned and are firm bookings for the studios for summer 2010.

4.27 The total budget[21] for the planned upgrade is around £5m. The additional space made available by the upgrade amounts to one additional stage (1,700 sq m (18,000 sq ft) and 7m (23 ft) high), and the upgrading of one of the existing stages to add full sound-proofing, power and heating. The majority of the costs relate to the proposed construction of production offices and ancillary (wardrobe, make-up etc) at the site, in a new building.

[21] Note that for the purposes of our options comparison, we have used a refurbishment cost similar to that for option 2, at £0.9m, reflecting the indicative costs associated with the expansion of studio capacity at Dumbarton, and excluding wider costs associated with the proposed development of new offices and ancillary services (which are not included in the other options)

4.28 The view from the BBC is that this upgrading of the office accommodation is much needed and overdue. This is a fair observation. However, from the producers' perspective the priority is on availability of additional space, with aspects of quality and comfort being of a lesser concern.

4.29 The benefits to the Dumbarton option include:

- the site has already been proven in having been used by BBC in-house and independent productions
- the BBC has existing mechanisms and systems in place to offer studio services to independent production companies – both at Dumbarton itself and at Pacific Quay
- the BBC's backing of this project may add weight to its commitment to locate TV drama production in Scotland – i.e. the argument that it would be unlikely to make the investment in Dumbarton and then see the facility sit empty while the BBC makes TV drama productions elsewhere

4.30 Although we talked to industry representatives who had good experiences of having used the existing facilities at Dumbarton, some of the producers that we consulted were less enthusiastic about the potential expansion. Their objections included the following:

- inaccessibility from other parts of Scotland – for an Edinburgh crew, there are going to be travel times in excess of an hour involved. However, it is well located just off the M8 for those travelling by car from Glasgow to reach with relative ease
- objections to the BBC taking on the role of managing the studios. There were concerns that BBC (in-house or independent) productions would be favoured over third party productions (with some cases given where independent productions had been moved due to the BBC wanting access to their own studios) or that the BBC would set unreasonable rates for using the studios
- on a related note, there were concerns that by operating the studios as well as commissioning productions, the BBC would exert undue control over the market which could potentially result in a risk of inefficient pricing and a low quality service (resulting from lack of competition)
- in addition, the objections to Dumbarton included a notion voiced from several different stakeholders that the BBC would be in some sense "double-dipping" from public funds if it were to receive additional funding for this development.

4.31 As previously noted, however, the BBC has offered to contribute land, infrastructure and expertise to a partnership which could operate new facilities at Dumbarton for the good of the industry as a whole – a model which could potentially allay concerns in some quarters related the BBC's level of control over studio operations in Scotland.

4.32 We would stress the positive benefits, particularly if the BBC is willing to make the investment with no or little additional cost to the public sector and given the fact that for drama uses, the BBC is likely to specify the type of facility that it will want to use for its commissions. The main disadvantages, as we see them, are that the ceiling height would restrict use by feature films and that the development provides less additional production space than other options (with more of the investment focussed on improvements to offices and other facilities).

Option 4: Space close to Film City Glasgow to be managed by Film City Glasgow

4.33 The option of a space located close to Film City Glasgow, to be managed by Film City Glasgow, is potentially exciting. Film City Glasgow has a number of benefits:

- it is located on the edge of the Digital Media Quarter (DMQ), with close proximity to the broadcasters at Pacific Quay, to Scottish Enterprise's other investments at the Hub and to the wider related activity on that development
- Film City Glasgow has built a reputation with film-makers and TV producers and is known for a high quality of customer service across a number of different areas (reports from long and short term tenants and freelancers and producers who have used the facilities etc)
- Film City Glasgow understands the production model and knows how to negotiate and structure deals with the industry
- Film City Glasgow also houses a range of post-production and facilities that can help to encourage a greater proportion of the total spend in Scotland – providing easy access and personal introductions to Scottish-based facilities would be an additional benefit all round
- Film City Glasgow itself is limited in terms of the size of its production/build space (which has been used successfully for factual entertainment TV and for small films). However, its office and other space is good, as is the parking provision. Adding a larger production/build space to the Film City Glasgow offer would be very attractive.

4.34 The big down-side to this option is that a suitable space close to Film City Glasgow has not yet been found, although Glasgow City Council is investigating options. The DMQ itself is too highly priced to be suitable as the location for a new-build of the type of film production/build space that would be considered, unless there is a *significant* investment from the public sector.

4.35 A more suitable alternative would be to locate an existing warehouse building close by to both Film City Glasgow and the DMQ. The most likely candidate has been "The Shed". This has been used previously for film and TV production – the restriction is that the metal roof is noisy when it is raining so that would need to be improved.

Option 5: SECC

4.36 SECC is the Scottish Exhibition and Conference Centre. We have been informed by the management of the SECC that there is currently capacity that may be useful for filming purposes. Initially the SECC is likely to have hall 5 available, which includes almost 4,000 sq m (43,000 sq ft) floor area with 9m (30 ft) ceilings and a high bay area of 20m. Once the new National Arena is opened in 2013, then there is likely to be additional capacity, which could include the larger, hall 4 which covers almost 10,000 sq m (107,000 sq ft).

4.37 However, there are concerns that, as a commercial operator with experience of short-term high value rentals for other purposes, SECC will need to offer the facility and a price level that is above expected studio rentals for film and television production.

4.38 Moreover, there is a need to upgrade the accommodation at the SECC for production purposes. Reports of previous use of the space indicated that if there are other activities taking place in other halls, then there would need to be additional sound-proofing. The BBC has told us that it is talking to the management about the options for extending the connectivity so that potentially one of the galleries at Pacific Quay could be hooked up to the SECC.

4.39 There are a number of benefits to using the SECC as follows:

- As above, the SECC is well located for the DMQ – involving a short walk or drive across the river to reach either the broadcasters' premises or Film City Glasgow.
- The SECC is based on the Expressway and as such, is exceptionally well located for accessing Glasgow Airport as well as mainline train connections and motorways.
- There is hotel accommodation available close to the SECC, as well as a range of catering and other facilities.
- The SECC has been used for the production of large scale light entertainment TV productions including X-Factor, Eurovision Dance and the MOBO Awards and reports from the industry have been favourable.
- While the facility has been used occasionally for media production purposes, it has been used for activities involving some similar activities – including set building, loading, lighting, staging etc. Access is good and so is car parking provision. The managers are used to providing offices with the space as well as arranging security, catering etc.
- Offices are available with each hall, as are dedicated toilets.
- All halls have access to the extensive car parking areas and can be isolated from the rest of the SECC.

Option 6: A new build, capable of film and high end TV drama

4.40 This option is to construct a new build, capable of film and high end TV drama at a location along the M8. Almost all the consultees were agreed that if a new build is required, then it should be a relatively low-cost version of this. Hardly any of the consultees argued for a high specification, state of the art facility. One analogy that was made was for a "B&Q with sound-proofing" – i.e. a basic warehouse type construction with additional sound proofing to make it more suitable for film and TV production. Given the relatively high capital costs of this option, it would be unlikely as the preferred option unless the search for a suitable site to refurbish is fruitless. In this event, then building costs could be kept low with the simple specifications mentioned above.

5: Alternative spaces

5.1 We have considered a number of alternative spaces that are available in the UK as comparators. These include dedicated studios and temporary spaces that are used for film and TV production. As well as providing comparators for operating models and usage, these alternative spaces also give a sense check of the levels of production that we might expect to see within a Scottish based facility.

Dragon Studios, Cardiff, Wales

5.2 Dragon Studios includes four stages on a single complex, with stages ranging in size as follows:

- Stage 1 is 990 sq m (10,676 sq ft) plus ancillary accommodation
- Stage 2 is 1,800 sq m (20,000 sq ft) plus office areas (to a total area of 2,470 sq m (26,595 sq ft))
- Stage 3 is 990 sq m (10,676 sq ft), again with ancillary accommodation
- Stage 4 is 940 sq m (10,155 sq ft) plus office areas (to a total area of 1,270 sq m (13,670 sq ft)).

5.3 The site is located around 18 miles from Cardiff. The original plans, chaired by Sir Richard Attenborough, were for a £330 million investment in a substantial studio complex of 12 stages plus a range of state of the art facilities, visitor attraction, hotel, golf course and other uses. However, plans were severely down-scaled and the companies, Dragon International Studios and Westair Properties Ltd both went into administration in 2008[22]. Work for the four stages commenced in 2007[23].

5.4 The contact for the studios is currently advertised as being the Wales Screen Commission, although this organisation does not have an official role in the operation of the studio. There is no website for the studios or other publicity.

5.5 Currently the studios are still in administration and the administrators are looking for a buyer. Although there is said to be interest from a number of parties, there is no buyer as yet. It is thought that the size and scope of the development are a deterrent, particularly in the current economic climate.

5.6 It took until 2009 for the studios to secure a feature production with Ironclad, a US inward investment production with an estimated budget of $25 million[24], using the studios that year. Although it has not been possible to determine the fee that Ironclad paid for the use of the studios we understand that they secured usage "at a significant discount" on usual rates. The

[22] http://news.bbc.co.uk/1/hi/wales/7301880.stm
[23] http://www.rhondda-cynon-taf.gov.uk/stellent/groups/public/documents/hcst/content.hcst?dDocName=015655&lang=en&textonly=true
[24] http://www.variety.com/article/VR1118018859.html?categoryId=3284&cs=1

production made use of all four stages – Stage 2 for interiors and the other stages for building, storage, wardrobe and so on. The production also built a castle on the backlot. We have been informed by the Wales Screen Commission that two BBC TV dramas have been booked in to use the studios later this year and there is another feature film confirmed.

Implications for Scotland

5.7 Despite having high profile endorsement and support from the film industry, and significant levels of both private and public sector investment, this development has not met its original potential. It took a long time for the studio to attract their first feature film and while *Ironclad* no doubt provided economic benefit for the local and Welsh economy, this does still not represent a proven model for a studio business.

5.8 At present enquiries for the use of Dragon Studios appear to be being managed by the Welsh Screen Commission. Anyone making enquiries is directed to a caretaker who can arrange visits to the site. Although still available for their intended use as film stages, the priority of the receivers is to find a buyer for the studios. Although there have been several enquiries, a buyer has not yet been forthcoming.

5.9 The lessons from these examples are:

- that even with backing of representatives from the film industry, setting up a major studio complex is inherently very risky
- that it can take time to attract productions to use a new facility even when it is ideally designed with industry needs in mind
- that in order to attract large features, it may be necessary to reduce rates
- attracting even just one Hollywood film would provide a strong cost-benefit effect (if the initial investment is lower)
- that it is possible to operate the studio through a screen commission or film office with minimal on the ground management and staff.

The Painthall

5.10 Set on an eight acre site five minute's drive from central Belfast, the building contains four 1,487 sq m (16,000 sq ft) "cells". The cells are set out in a square and connected by an internal road and streets. Each cell is 27.5 m (90ft) tall and has one 1m (3ft) thick external "wall" that is actually a 23m (75ft) tall door. None of the cell ceilings is external and the building is "double-skinned" thereby reducing noise pollution. The facility also offers a suite of offices, toilets, a canteen, several large stores, a "green room" and has its own internal electrical substation which provides 110v, 240v and 3 phase power to the whole building. Many of these are "temporary" facilities installed by previous productions.

5.11 The Painthall is effectively operated by Northern Ireland Screen (NI Screen). It carries the lease from the Titanic Quarter, a public/private partnership of Harcourt (property company) and the Belfast Harbour.

5.12 It is therefore offered at a low price. An additional benefit of this has been that NI Screen has not made any large investments in the fabric or finish of the building. It is let as a "no-frills" space and as productions have used the space, they have made incremental improvements themselves.

5.13 The first significant usage of the Painthall was for *City of Ember,* a $55 million US inward investment production. This involved an enormous build, for which the Painthall's high ceiling height was ideal.

5.14 The next production was a Universal comedy, *Your Highness* – another inward investment US production.

5.15 At the end of 2009, HBO came into the Painthall to do a pilot for its series, *Game of Thrones.* Following a successful pilot, it has now been re-commissioned and will again use the Painthall as its main production base. This show is budgeted at around $30 million per series[25] and could run for several series. This production actually had discussions with Scotland about locating there. Reports in the press have included estimates of the production adding £20 million to the economy of Northern Ireland. The same reports also indicated that Northern Ireland Screen contributed £1.6 million in production funding. Some reports say that the Painthall was made available free of charge to this production, others that it was let at a "reduced rate". Estimates from a recent evaluation of Northern Ireland Screen Commission's strategy indicate that if recommissioned:

> *"…in full production, Game of Thrones would consume £1.8m per annum…[of Invest NI's production fund]"*[26]

Implications for Scotland

5.16 The level of investment associated with The Painthall is at the opposite end of the scale to that of Dragon Studios. However, the end result appears to have been relatively similar. Again the benefit of the studios is through the economic impact – rather than the ability to operate the studio itself as a, profitable business.

5.17 Financial incentives are potentially available to productions, including incoming productions, from the NI Screen Commission. So again, it is not correct to think of The Painthall in isolation from other public sector activity.

5.18 When the studios are out of use, they are simply closed down. Fixed costs are therefore kept to a minimum and the studios can be operated at breakeven by virtually closing down during dark periods.

5.19 The investments have been kept very low and as a result, productions have contributed (from budget that they would have had to spend on studio, perhaps). The overall benefit of this is that the operation is substantially de-risked by a lack of committed investment or spend until business is forthcoming.

---

[25] http://www.westeros.org/GoT/News/Entry/3930/
[26] Invest Northern Ireland**,** *Evaluation of the Northern Ireland Screen Commission's Strategy for 2007-2010: Building on Success* December 2009

5.20 This example also shows that it is possible to attract large Inward investment productions without a state of the art production facility. The more basic facilities, but with good size, height and flexible spaces appears to be sufficient even for large budget features ($55m).

Isle of Man

5.21 The studios on the Isle of Man were opened in 2002 at an estimated cost of £2 million[27]. The studio is located at the North of the Island, close to Ramsey. It is privately owned and operated, although it had some public capital funding when it was built (we were not able to confirm what proportion of the original £2 million costs were covered by the public sector).

5.22 The facilities include:

- a sound stage of 1,040 sq m (11,200 sq ft) with 14 m (46 ft) height
- a workshop of 185 sq m (2,000 sq ft) that has been used for set building and additional production space
- 465 sq m (5,000 sq ft) of office space
- green rooms, wardrobe, laundry, make-up/hairdressing salon etc.

5.23 Between 1995 and 2006, 82 films were shot on the Isle of Man, including a mix of feature films, TV dramas and one animation project[28].

5.24 Some of the latest productions to be filmed at Island Studios include:

- The Disappearance of Alice Creed – Filmed February to March 2009, using predominantly local crew
- Heartless – Filmed in July 2008
- Mutant Chronicles – Filmed in June/July 2006.

Implications for Scotland

5.25 It should be noted that the primary reason Isle of Man is used for production is that it is able to make available production funding for films and TV production on the island. The studios were built only after several years of production on the island attracted by the investment fund. According to figures presented to the House of Lords in July 2009, between April 2004 and July 2009, the total amount spent on investment in film by the Media Development Fund was almost £79 million. Investment totals vary from year to year and number of films varies from eight films in 2005 to four films in 2008.

5.26 The availability of funding again plays an essential role in establishing the Isle of Man as a suitable location for film production. The location is difficult and expensive to access and there was initially no significant indigenous industrial or supply base, though this has since developed to a certain extent. The studio is an important, but secondary feature.

---

[27] http://www.iomguide.com/manx-films/studios/island-studios-ramsey.php
[28] http://www.publications.parliament.uk/pa/ld200910/ldselect/ldcomuni/37/37we16.htm

5.27 Compared to developments like Dragon Studios, this has involved a much smaller scale investment. This appears to be sustainable as a private sector business, albeit supported by the availability of production funding. It should also be noted that the Isle of Man is not a member of the European Union, and so is not subject to EU state aid regulations.

Drama village, Cardiff

5.28 In 2009, the BBC announced that it would be moving the production of the long-running TV drama *Casualty* to Wales from its previous base of Bristol. To deliver this, BBC Wales developed proposals to bring together all of the existing BBC TV drama productions based in Wales into a single new Drama Village. The proposed site for the TV drama village is the Assembly Government owned site at Roath Basin.

5.29 Roath Basin is the largest single remaining undeveloped site in Cardiff Bay. It comprises of approximately 27 acres and has the benefit of an outline planning permission for 1,000 new homes and commercial floor space totalling around 100,000 sq m (a million sq ft). Igloo Regeneration was selected through an open European Procurement Process by the Assembly Government as the Development Partner for the project.

5.30 The plans for the BBC Drama Village include some 16,000 sq m (170,000 sq ft) of television studios and ancillary accommodation. There will also be a new office building, which is expected to house BBC supply-chain companies and creative industries businesses (in a Digital Media Centre).

5.31 In December 2009, the Deputy First Minister of the Welsh Assembly Government agreed to vary the terms of an existing development agreement between the Welsh Ministers and Igloo Regeneration thereby entering into an agreement for a 25 year lease with Igloo Regeneration for Media Capital project comprising of a Drama Village of approx 16,000 sq m (170,000 sq ft) and a Digital Media Centre of approx 32,000 sq ft at £2.11m per annum. Part of this agreement included entering into an agreement for a 20 year lease with BBC to grant them an under lease of the Drama Village at an initial rental of £1.35m per annum.

5.32 A feasibility study for this development estimated that if the project was confined to the TV drama aspect, it would be expected to deliver a net impact to income or spending in Wales of £17m a year, creating almost 340 jobs. If the BBC were to move its Welsh headquarters to the drama village site and a successful digital content business park were to emerge, the benefits are projected to multiply to £58m a year and almost 1,500 jobs.

Implications for Scotland

5.33 There are important implications of the proposed Drama Village in Cardiff. The BBC has made the commitment to raising the numbers of returning TV drama series to Scotland. Presumably, however, if the investment goes ahead for the extended version of the Drama Village, then the BBC will want to base significant levels of its TV drama productions in this facility (thereby making the most of its investment).

5.34 The proposal for an extension to Dumbarton Studios is on a smaller scale, but would also presumably represent an investment against which the BBC would be looking to recoup. In our consultations with the BBC drama commissioner, it became apparent that the lack of financial incentive rather than studio provision was considered to be more of a barrier to basing productions in Scotland. Moreover, the point was made that a lot of productions could be made on location. The indications that we had from this discussion were that by extending Dumbarton, the facilities would be larger and significantly more comfortable for a range of TV drama uses.

6: State aid issues

Introduction

6.1 Some of the scenarios that have been discussed in this document potentially involve an investment by a Scottish public sector body to either secure, or subsidise, provision of a production space for the Scottish film and television sector. Thus, European state aid regulations must be considered. This very complex area of European competition law regulates the ability of state resources to be applied to commercial activity. Essentially state aid is illegal unless it is approved by the European Commission[29].

State aid in the film and television sector

6.2 State funding for "cinematographic production" – i.e. film and television production – can be cleared under the Cinema Guidelines, a set of criteria which is a sub-set of the Cultural Derogation. The European Commission has made it clear that the Cinema Guidelines may apply to film production and distribution, but has expressed doubts that the Guidelines can apply to investment in a film or television studio, particularly in the case of large facilities competing for international production.

6.3 Essentially the following are the routes by which an investment in a production space might be deemed to be legal under European regulation.

The argument that it is not state aid

6.4 If a state body invests under identical conditions and circumstances as a private commercial investor, then a state investment is not state aid, under what is known as "the market economy investor principle". Thus one strategy would be to claim that state investment was no different than a private investor would make.

6.5 However, this is a difficult claim to make. Firstly, it is difficult to prove that a private investor would indeed make an investment under these circumstances unless a private investor is investing alongside the public investor or a clear and credible business plan is provided[30]. Secondly, to claim this justification is to remove the "additionality" principle which justifies most public sector support – that there is a need for public sector support because there is market failure and a private investor cannot be found[31].

---

[29] State Aid Scotland provides useful information on dealing with state aid. See the "five tests": http://www.stateaidscotland.gov.uk/state_aid/SA_MainView.jsp?pContentID=334&p_applic=CCC&p_service=Content.show&

[30] This is the route taken by certain investment funds of Scottish Enterprise in the past.

[31] One of the most high profile cases of state support of a studio is that of Ciudad de la Luz (a former client of one of the authors of this document, Richard Miller of Available Light Advisory) in Alicante Spain. The studio was constructed with approximately £300 million of funds from the Valencia government. The Spanish government has invoked the market economy investor principle. However, the European Commission has questioned whether it indeed applies in this situation. A final decision is yet to be handed down.

Permitted aid

6.6 Another route is to accept that there is state aid, but that there is a scheme allowing the support. Regional Selective Assistance is the main investment grant scheme for businesses in designated areas of Scotland. This aid is legal under what is known as the General Block Exemption Regulation. However, the projects must be driven by the private sector, with most of the project funding coming from the private sector.

6.7 Certain areas of Central Scottish belt are "Tier 2" areas, which therefore qualify for support up to the level of 15% of total cost for a large company, with potentially greater levels of support for smaller enterprises. The private sector company must be a developer/occupier.

6.8 This route might be applicable for a private company looking for a small amount of state funding to improve premises and make them appropriate for a film and television production space that it would run.

Direct provision

6.9 If the state takes an ownership role and rents at market rent, then state aid can be deemed to be legal. Thus, if the state paid for 100% of the costs of building or preparing a site for use as a production space, and then were to rent to a studio operator at market rent, this would be acceptable.

6.10 The challenge here is that it would likely be difficult to find an operator willing to lease a space at market rent, and then operate a studio from it. It is believed that this route would not be available for a state organisation to be itself acting as operator (in the sense of taking on the business risk of operation, whether or not an external manager was hired).

Derelict buildings

6.11 It is permitted for the state to acquire derelict property and remove the dereliction in order to recover the enhanced value of the property. This is similar to Direct Provision, above. The state may improve the property to make it available for industrial or commercial use, provided it does not sell the property within three years for less than the cost of acquisition and improvement. Therefore, were the state to take possession of a 'brownfield' site, bring it up to standard as a production space and then rent it at a market rate to a studio operator, this would again be permitted. Again, it is less clear if the state were the studio operator itself.

De minimis aid

6.12 Aid under EUR200,000 (a rolling total over a three year period) to a single entity is deemed to be 'de minimis', and does not need to be cleared with the Commission. During this time of financial difficulty, the ceiling has been increased to EUR500,000. However, this increased cap expires at the end of this year.

7: Economic impact

Overview of the economic impact modelling

7.1 In our assessment of the economic impact of the proposed studio options, we have identified the main components through which contribution is made to the Scottish economy. They include:

- the direct effects – this is the direct turnover associated with a production and the associated direct Gross Value Added (GVA)[32].
- the indirect and induced effects – these relate to GVA generated through the supply chain, and through the spend of employees in the wider economy.

7.2 Any estimate of GVA impact is only as good as the assumptions it uses. In this case the main estimates which determine the GVA impact are:

- total production spend for different production types (feature film, TV drama series, etc) and the GVA turnover ratio for the film and video production sector[33]
- the estimated numbers of different production types taking place at each option on an annual basis.

7.3 We have built our estimates based on the judgement of the project team, informed by a number of external sources including data provided to us from Scottish Screen, actual film budgets by film studios (but based outside Scotland), BBC published tariffs and spend assumptions based on discussions with producers.

7.4 These sources also informed assumptions on:

- the proportion of production spend in Scotland
- the average number of filming days per production type
- the estimated incremental costs (capital and operational) for each option.

7.5 The remainder of this section describes how this information and these assumptions build up into an estimate of GVA impact through production spend. Also by comparing the GVA impact for each option with costs, we present benefit cost ratios for each option.

[32] GVA is equivalent to sales less the total inputs of goods and services made by the business. It represents the new economic activity generated by the production.
[33] 49% based on Scottish Government compilation of creative industries using video, film & photography sectors, ABI 2007 data (published 2009)

Calculating impact

7.6 The overarching assumptions used in the model about different production types and associated spend are shown in Table 7-1.

Table 7-1: Key assumptions by type of production

	Feature film - "Scotland base"	Feature film - "Location plus"	Medium film	TV Drama series	TV Drama feature - high	TV Drama feature - low
Estimation of production spend (£)	40m	40m	4m	1.5m	1.5m	0.1m
% spending in Scotland	75%	20%	30%	65%	90%	100%
Average number of weeks in Production Space in Scotland	30	6	5	16.5	10.5	3

Source: SQW/ALA research

7.7 For each of the proposed options we have used assumptions about the maximum number of *additional*[34] productions that will take place in Scotland as a result of any one of the options being developed. Our maximum yearly production profile assumptions for each site are presented in Table 7-2.

Table 7-2: Production assumptions for each option

Options	Max. usage assumptions – year 1 of operation	Max. usage assumptions – year 3 of operation	Max. usage assumptions – year 5 of operation
1: Refurbished space in central belt - high ceiling	1 feature film (location plus) 1 TV drama series 1 TV drama features (high)	1 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)	2 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)
2: Refurbished space in central belt - lower ceiling	1 TV drama series 1 TV drama features (high)	1 TV drama series 1 TV drama features (high) 1 medium film	1 TV drama series 1 TV drama features (high) 1 medium film
3: Upgrade to BBC's Dumbarton Studios	1 TV drama series 1 TV drama features (high)	1 TV drama series 1 TV drama features (high)	1 TV drama series 2 TV drama features (high)
4: Space close to Film City Glasgow to be managed by Film City Glasgow	1 feature film (location plus) 1 TV drama series 1 TV drama features (high)	1 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)	2 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)
5: SECC	1 feature film (location plus) 1 TV drama series 1 TV drama features (high)	1 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)	2 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)

[34] By considering the *additional* productions for Scotland, we are effectively taking account of the "deadweight" (what would have happened anyway) and "displacement" (the extent to which production activities will be displaced from elsewhere in Scotland).

Options	Max. usage assumptions – year 1 of operation	Max. usage assumptions – year 3 of operation	Max. usage assumptions – year 5 of operation
6: A new build on the M8 capable of film and high end TV drama	1 feature film (location plus) 1 TV drama series 1 TV drama features (high)	1 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)	2 feature film (location plus) 1 feature film (Scotland base) 1 TV drama series 1 TV drama features (high)

Source: SQW/ALA research

7.8 These yearly production assumptions represent the maximum additional productions to Scotland that would be expected as a result of the development of each option. We have then adjusted these assumptions by applying different probabilities for the likelihood of the production profile occurring to estimate an "expected" average annual production profile for each option.

Table 7-3: Probability assumptions applied to maximum usage options

	1: Refurbished space in central belt - high ceiling	2: Refurbished space in central belt - lower ceiling	3: Upgrade to BBC's Dumbarton Studios	4: Space close to Film City Glasgow to be managed by Film City Glasgow	5: SECC	6: A new build on the M8 capable of film and high end drama
Feature film - Scotland base	0.3	0	0	0.3	0.3	0.3
Feature film - location plus	0.3	0	0	0.3	0.3	0.3
Medium film	0	0.3	0	0	0.0	0
TV drama series	0.7	0.7	1	0.7	0.7	0.7
TV drama feature - high	0.7	0.7	0.7	0.7	0.7	0.7
TV drama feature - low	0.7	0.7	0.7	0.7	0.7	0.7

Source: SQW/ALA estimates

7.9 As already stated to estimate the GVA impact of different production types at the proposed options, we consider the GVA turnover ratio for the film/TV sector for each option using estimates of the number of productions that will take place at each site on a yearly basis. The gross direct GVA impacts for each option are presented in Table 7-4.

Table 7-4: Cumulative gross direct GVA impact to 2021/22

Options	Cumulative gross direct GVA impact
1: Refurbished space in central belt - high ceiling	£133m
2: Refurbished space in central belt - lower ceiling	£13m
3: Upgrade to BBC's Dumbarton Studios	£13m
4: Space close to Film City Glasgow, managed by Film City Glasgow	£133m
5: SECC	£133m
6: A new build on the M8 capable of film and high end TV drama	£114m

Source: SQW calculations

7.10 To calculate the total GVA we take account of the GVA stimulated through direct spend, additional income for suppliers from spending on goods and services (indirect effect) and because of spending by its employees (induced effect). These impacts are accounted for using a "Type II multiplier".

7.11 We used a Type II multiplier of 1.9, informed by research for the UK Film Council[35], which suggest a total multiplier of 2.0 for the UK film industry as whole. The figure of 2.0 is derived from a detailed survey of firms in the UK film industry, which asked companies about their turnover, employment, wage costs and profits, and also about how much they spend buying goods and services from their suppliers. It is a 'combined' multiplier impact representing the sum of the so-called 'indirect' and 'induced' impacts of the core UK film industry on the UK economy.

7.12 However as this is a UK wide multiplier, it had to be adjusted to represent the Scottish economy. Therefore, our multiplier of 1.9 is based on the SIC codes used for the UK Film Council multiplier, these SIC codes were matched to the Scottish Government Type II multipliers and were categorised under recreational services to give a multiplier of 1.9. This multiplier was applied to the direct GVA turnover effect for each option using the estimates of production numbers that will take place at each site on a yearly basis.

Reference case

7.13 When considering the GVA of the different options, we have developed a reference case scenario showing what we think could happen even if the proposed production space did not go ahead. Based on information provided by Scottish Screen on past production trends in Scotland over the past five years, we were able to develop a reference case going forward over a 10 year period. Figure 7-1 illustrates the reference case for production in Scotland. As our model explicitly assumes that any productions which take place at the options are *additional* to the reference case, no further adjustment for deadweight was needed in the model.

7.14 In the reference case there are no "location plus" or "Scottish production base" options as we have assumed that there is no suitable studio provision. Instead we have included only films that use Scottish locations in this reference case along with the small and medium budget films that can manage without specific production and build space.

[35] The economic impact of the Film Industry, Oxford Economics, 2007

Figure 7-1: Reference case

Source: SQW analysis of Scottish Screen data

Leakage

7.15 This is where a benefit accrues outside the geography of interest, in this case Scotland. For example, this could happen where the people employed on the production live outside Scotland. Our model has used different levels of leakage for different production types as it is more likely that a high budget production will bring in more external specialists, whereas small budget productions are more likely to rely on local resources. Our leakage assumptions are based on figures in Table 7-1 on the proportion of production spend within Scotland.

Displacement

7.16 This is where, for example, one business grows simply at the expense of others. This could happen where a production at any of the proposed studios is work that would otherwise have taken place elsewhere in Scotland. From consultations with representatives from Scottish screen industry and considering current capacity in Scotland, we have assumed that there would be negligible displacement in Scotland if any of the options were developed.

Net impact

7.17 Table 7-5 shows the estimated cumulative net GVA impact, to 2021/22, after applying our leakage and multiplier assumptions. These net GVA estimates represent the additional GVA to the Scottish economy as a result of each option.

Table 7-5: Cumulative net GVA impact to 2021/22

Options	Cumulative net GVA
1: Refurbished space in central belt - high ceiling	£104m
2: Refurbished space in central belt - lower ceiling	£16m
3: Upgrade to BBC's Dumbarton Studios	£20m
4: Space close to Film City Glasgow to be managed by Film City Glasgow	£104m
5: SECC	£104m
6: A new build on the M8 capable of film and high end TV drama	£89m

Source: SQW calculations

Costs

7.18 For each option we have produced a range of *indicative* costs based on some estimates provided to use by consultees, previous (anonymised) studies that we have carried out within the sector and benchmarks published by the property and construction trade. These costs are presented in Table 7-6.

Table 7-6: Indicative capital and operational costs, to 2021/22 per option

Options	Capital costs – over ten years	Incremental operational/running costs – over ten years
1: Refurbished space in central belt - high ceiling	£0.9m	£2.6m
2: Refurbished space in central belt - lower ceiling	£0.9m	£2.2m
3: Upgrade to BBC's Dumbarton Studios[36]	£0.9m	£0.7m
4: Space close to Film City Glasgow to be managed by Film City Glasgow	£0.9m	£2.3m
5: SECC	£0.2m	£0.29m
6: A new build on the M8 capable of film and high end TV drama	£6m	£0.91m

Source: SQW calculations

7.19 We have assumed for all options that it will be a dry let, four-waller. Productions will provide their own technicians, catering, services etc. The management and marketing costs are kept to a minimum as film offices and Creative Scotland help with this as part of their locations/inward investment service. Also basic security is provided for the sites but no dedicated person.

7.20 In our estimates of costs we have taking account of the following where relevant:

- rates

[36] As previously noted: for the purposes of our options comparison, we have used a refurbishment cost similar to that for option 2, at £0.9m, reflecting the indicative costs associated with the expansion of studio capacity at Dumbarton, and excluding wider costs associated with the proposed development of new offices and ancillary services (which are not included in the other options)

- management (manager, marketing, technical, etc)
- caretaker and maintenance
- supplies
- legal costs
- utilities (phone lines, power, heating).

Benefit cost ratios

7.21 We have calculated benefit-cost ratios for each option based on our estimated costs and the net GVA impacts, both of which are discounted[37] to obtain present values (using 2010 as year 0). These ratios are presented in Table 7-7.

Table 7-7: Benefit-cost ratios (present value of net GVA impacts divided by present value of incremental costs) to 2021/22

Options	**Benefit-cost ratios over 10 years**
1: Refurbished space in central belt - high ceiling	27.3
2: Refurbished space in central belt - lower ceiling	4.9
3: Upgrade to BBC's Dumbarton Studios	10.8
4: Space close to Film City Glasgow to be managed by Film City Glasgow	29.3
5: SECC	191.7
6: A new build on the M8 capable of film and high end TV drama	11.0

Source: SQW calculations

Sensitivity analysis

7.22 The above Benefit Cost Ratios (BCRs) are sensitive, however, to our assumptions on capital costs and, in particular, on the extent to which (relatively high expenditure) new feature film production activities are attracted to Scotland. The latter is dependent on external factors, such as the availability of UK tax breaks and the value of sterling.

7.23 As shown in the table below, if we increase capital cost assumptions for all options by 10% (except for the SECC option 5, for which we increase capital costs by 200%, given the relatively high uncertainty over our indicative cost estimate for soundproofing), and set all assumptions on film production to zero (i.e. a TV-only scenario), then the range of BCRs becomes much narrower, with option 5 (SECC) still having the highest BCR[38] at 14.2, followed by option 3 (Dumbarton) at 10.2. The lowest BCR on this sensitivity test is the new build option 6, at a BCR of 1.4.

[37] HM Treasury discount rate of 3.5%

[38] Note that incremental operational costs, as well as capital costs, are included in the BCR calculations. A key advantage for the SECC option in these BCR estimates is that we assume that non-domestic rates are already being paid on the space at SECC, whereas the other new or refurbished spaces will attract rates that were not previously being paid. Furthermore, options 1, 2 and 4 involve paying commercial rental to the existing owner of the space.

Table 7-8: Effects of increased capital costs and a TV-only scenario on the Benefit Cost Ratios

	10yr BCR on base case assumptions	10yr BCR with increased capex	10yr BCR with no film production	10yr BCR with increased capex and no film production
Option 1	27.3	26.5	3.7	3.6
Option 2	4.9	4.7	4.2	4.1
Option 3	10.8	10.2	10.8	10.2
Option 4	29.3	28.5	4.0	3.9
Option 5	191.7	100.9	28.0	14.2
Option 6	11.0	10.1	1.5	1.4

Source: SQW calculations

Summary

7.24 We have outlined, above, how GVA will be generated on each proposed site option, the costs associated with each option and the resulting benefit cost ratios. Our calculations are heavily based on assumptions based on background quantitative evidence and 'best guesses' built on consultations with stakeholders from the industry and from public bodies representing and involved with the Scottish film industry. These caveats – and the sensitivities presented above - should be borne in mind when considering the impact results of each option. In summary:

- option 1 (refurbished space in central belt - high ceiling) will create £104 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £27.30 in GVA (in Present Value terms – i.e. after discounting)
- option 2 (refurbished space in central belt – low ceiling) will create £16 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £4.90 in GVA
- option 3 (upgrade to BBC's Dumbarton Studios) will create £20 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £10.80 in GVA
- option 4 (space close to Film City Glasgow to be managed by Film City Glasgow) will create £104 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £29.30 in GVA
- option 5 (SECC) will create £104 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £191.70 in GVA
- option 6 (a new build on the M8 capable of film and high end TV drama) will create £89 m GVA over a ten year period and for every £1 spent over this ten year period it will provide a return of £11 in GVA.

8: Financial case

8.1 In this section we set out the different options, taking account of the financial case for each of them. We have estimated both capital and operating costs for each option and looked at the likely revenue associated with their use as production and build space for film and TV production. Our estimates are indicative only. The options are not based on actual properties in most cases and our approach is simplistic. However, we believe that given the high level of uncertainty for both the actual costs and the actual demand levels, this level of detail is sufficient for our current purposes.

Option 1

Key assumptions

8.2 Under Option 1, we assume that a privately owned warehouse is secured under a repairing and insuring lease. We assume that rentals become applicable in 2011/12 on securing the property and that refurbishment/upgrading takes place immediately. The facility is ready for use by 2012/13.

8.3 We have assumed that the refurbishment will be basic – mainly covering sound-proofing. We have assumed that this property will have a high ceiling that is suitable for both film and TV drama production purposes and that there is some basic office provision.

- Operating cost assumptions include:
  - annual rental of £160,000 which is based on 3,700 sq m (40,000 sq ft) at a cost of £42.80 psm (£4psf)
  - non-domestic rates payable on the total post-refurbishment net internal floorspace totalling £50,000 per year (which we have tested against comparative properties in Scotland)
  - staff costs covering management, marketing, technical and caretaker all employed part-time
  - utility costs (heating, electricity, water) are not included in the fixed costs – these are payable by productions when they are using the space
- Capital expenditure amounts to **£0.9 million** in 2011/12.

Option 2

Key assumptions

8.4 Option 2 involves the same key assumptions as Option 1. Basically the options only vary on the ceiling height. This is not considered to make a substantial different to costs except for a lower rental (£120,000 based on 3,700 sq m (40,000 sq ft) at £32 psm (£3psf)). The ceiling height has an impact on the ability to attract film and high end TV drama productions which is reflected in the revenue assumptions.

Option 3

Key assumptions

8.5 Under Option 3, we have assumed that work to make additional studio space available is undertaken in 2011/12, and that the facility is ready for use by 2012/3.

- Operating cost assumptions include:
  - non-domestic rates payable on the total post-refurbishment net internal floorspace totalling £50,000 per year (we have assumed that this part of the development is exempt from rates for the time being due to being out of use)
  - staff costs at a lower level than other options based on the assumption that the extension will simply involve existing staff requiring a little administrative support
  - maintenance costs for the extra space and some marketing costs to promote the spaces.
- Capital expenditure (associated with the additional studio space) is assumed to be similar to that for Option 2, at **£0.9 million** in 2011/12.

Option 4

Key assumptions

8.6 Option 4 involves some of the same key assumptions as Option 1. Basically the option varies by the fact that it is based in a different location (Glasgow rather than M8 Corridor). The operating costs vary for this option as we expect that in being based close to Film City Glasgow, some of the fixed (staff) costs will be shared between the two sites. The rental costs for many areas of Glasgow appear to be similar to those for West Lothian so we have inserted a cost based again on 3,700 sq m (40,000 sq ft) at £43 psm (£4 psf) (£160,000)).

Option 5

Key assumptions

8.7 Under Option 5, we have estimated the cost of sound-proofing for one hall of the SECC. These costs are indicative and not based on the expert assessment of needs by an acoustic engineer that would be required. We have assumed that the facility is ready for use by 2012/3.

- Operating cost assumptions include:

    - staff costs which involve an administrative assistant working on a part time basis to help existing staff to marketing and manage this additional activity
    - an allocation for maintenance and marketing as SECC will need to make a different target market aware of its new offer.
- Capital expenditure amounts to **£200,000**.

Option 6

Key assumptions

8.8 Under Option 6, we assume that there is a new-build that would be completed during financial year 2012/13 – allowing a period of two years to give time for planning permission, design and planning to take place and for the construction itself. The facility would be available for use by 2013/14.

8.9 We have assumed that the construction will be a basic build, but with a high ceiling height, full sound-proofing and black-out. The space would be 3,700 sq m (40,000 sq ft) in total, split into two areas to allow production and build. There would also be some basic office provision included with basic fit-out.

- Operating cost assumptions include:
    - non-domestic rates payable on the total net internal floorspace totalling £50,000 per year (which we have tested against comparative properties in Scotland)
    - staff costs covering management, marketing, technical and caretaker all employed part-time
    - maintenance, security, promotional materials and phoneline
    - utility costs (heating, electricity, water) are not included in the fixed costs – these are payable by productions when they are using the space
- Capital expenditure amounts to **£6 million** in 2012/13.

Other costs

8.10 In addition to the fixed costs associated with each of the options that are set out above we have also factored in variable costs that will be incurred while productions are using the facilities. These are included within the estimates cited below. We have included costs for a technician employed on a freelance basis to oversee the use of the space during production at a cost of £200 per day (only paid during the days that the production space is in use). In addition, we have added a nominal cost of £150 per day to cover heating, power and services that again are only added while the facilities are actually in use.

Projections

8.11 The cumulative revenue for each option over ten years to 2021/22 is presented in Table 8-1. For revenue, the assumptions used were:

- the average number of productions (see Table 7-3)
- average number of weeks filming per production type (see Table 7-1)
- the price per week for production space rental, we have estimated this at £1,600 per week based on current market rates of £2,000 per week but taking account of the usual negotiated discount of 20%.

Table 8-1: Revenue

	Cumulative revenue over 10 years (£000)	Average annual revenue (£000)
1: Refurbished space in central belt - high ceiling	544	54
2: Refurbished space in central belt - lower ceiling	396	40
3: Upgrade to BBC's Dumbarton Studios	520	52
4: Space close to Film City Glasgow to be managed by Film City Glasgow	544	54
5: SECC	544	54
6: A new build on the M8 capable of film and high end TV drama	478	48

Source: SQW calculations

8.12 The associated incremental operating costs for each option over the same time period are presented in Table 8-2.

Table 8-2: Incremental operational and running costs

Options	Incremental operational/running costs – over ten years (£000)	Average annual incremental operational/running costs (£000)
1: Refurbished space in central belt - high ceiling	2,597	260
2: Refurbished space in central belt - lower ceiling	2,164	216,
3: Upgrade to BBC's Dumbarton Studios	717	72
4: Space close to Film City Glasgow to be managed by Film City Glasgow	2,340	234
5: SECC	290	29
6: A new build on the M8 capable of film and high end TV drama	917	92

Source: SQW calculations

8.13 A projection of cash-flow for each of the options is provided in Table 8-3. This shows a negative cash-flow position for all options except for the upgrade to the SECC. However, even this option does not provide a return on the capital investment that would be required.

Table 8-3: Indicative cash flows

	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	19/20	20/21	21/22
Refurbished space in central belt - high ceiling	£0	-£1,060,000	-£221,500	-£221,500	-£210,250	-£210,250	-£205,750	-£205,750	-£205,750	-£205,750	-£205,750
Refurbished space in central belt - lower ceiling	£0	-£1,020,000	-£186,000	-£186,000	-£182,250	-£182,250	-£182,250	-£182,250	-£182,250	-£182,250	-£182,250
Upgrade to BBC's Dumbarton Studios	£0	-£900,000	-£27,250	-£27,250	-£27,250	-£27,250	-£27,250	-£15,000	-£15,000	-£15,000	-£15,000
Space close to Film City Glasgow to be managed by Film City Glasgow	£0	-£1,060,000	-£193,000	-£193,000	-£181,750	-£181,750	-£177,250	-£177,250	-£177,250	-£177,250	-£177,250
SECC	£0	-£200,000	£17,000	£17,000	£28,250	£28,250	£32,750	£32,750	£32,750	£32,750	£32,750
A new build on the M8 capable of film and high end TV drama	£0	£0	-£6,000,000	-£65,500	-£65,500	-£54,250	-£54,250	-£49,750	-£49,750	-£49,750	-£49,750

Source: SQW calculations

9: Conclusions and recommendations

Conclusions

9.1 During the development of this feasibility study we have made many assumptions that feed into our models. It is often not possible to obtain firm data for many of the key influencing factors. In addition, the nature of the demand for the production space has itself various uncertainties attached. It is fair to say that we have generally erred on the side of caution in our assumptions on revenues and benefits. However, we have also kept the estimated costs to a minimum – including only minimal staffing, security and services, for example.

9.2 We feel that our indicative results confirm that our clients should approach any investment in production and build space with caution. This is an inherently risky industry, that is highly cost sensitive and for which demand is likely to be patchy.

Is there a viable option?

9.3 Our modelling has shown that there are some relatively strong returns to be gained, particularly through attracting feature films to shoot in Scotland, in *economic impact* terms. However, it is very difficult to make a realistic *commercial* case for a permanent production and build space predicated on covering true commercial rates and costs.

9.4 This is not only shown in our modelling, but also backed up through the experiences of studios elsewhere in the UK including those covered in the comparators section, that struggle to get close to the level of utilisation within their facilities that would be required even to break even based on the costs that we expect to incur.

Option 5 – looks potentially promising

9.5 Option 5, which involves adapting part of the SECC to be suitable for production purposes, looks like a potentially promising option. This option benefits from the fact that media production would be one of various uses for the space. It also has a number of other benefits too over other contenders – being based so conveniently for Film City Glasgow and the DMQ are important benefits, as is its proximity to transport. Moreover, the site itself is highly suitable based on factors like security, access, loading and production all of which transfer well from its existing use. The additional costs incurred in using one of the SECC halls for TV or film production use are less than for other options as the facility is already there and requires only relatively small upgrading (for sound-proofing mainly). As well as offices within the SECC, the site is close enough to Film City Glasgow for the production offices to be used in addition/instead.

9.6 One idea that the SECC may wish to consider is to link up in partnership with Film City Glasgow for marketing and managing the production uses of the facility. This would then help keep costs to a minimum – Film City Glasgow has an existing track record in the industry and the skills to manage client needs.

9.7 It is not clear, however, whether the management of the SECC will regard this as constituting an opportunity that is worth pursuing. We understand that there is interest from SECC to market its space for film and TV production purposes but, given the likely levels of demand, we expect that it will not devote a hall exclusively for this use (although it may be willing to install the necessary sound proofing).

9.8 What is clear too from the modelling is that any option that involves covering a commercial rate to a landlord looks unfeasible in commercial terms. There would need to be a much higher level of utilisation of the studios in order to come close to making a commercial return, or even to cover costs of renting a sufficiently large warehouse.

Lower cost alternative

9.9 The alternative is to continue to look for a building owned by one of the local councils that it is willing to let at a peppercorn rent. This may be possible and desirable to a council, such as West Lothian, that is looking to grow its creative industries sector as an economic development initiative. However, as yet such a property has not been identified either by our team or by those working on this same issue for the council. The only comparators that we found that were operating successfully (outside of the large operators, Pinewood Shepperton Group) were those that did not have market rentals and rates bills to cover. It will be most beneficial to the sector and to providing a sustainable facility, to keep the cost base this low. As the experience with the Dragon Studios demonstrates, it will be very challenging to find a commercial operator that is willing to invest, given the likely level of return. Even if our estimates for revenue turn out to be on the low side, it would take another magnitude of demand to get close to breaking even on most of these options.

What could prevent this from being successful?

9.10 Even aside from the major issues around financial viability, other factors could also potentially play a part in reducing the benefit of a production and build space for Scotland. Firstly, there will inevitably be concerns that productions being shot in Scotland may not actually commit to using Scottish-based crew. There have been media reports in the past of the BBC bringing London-based crew up to Scotland in order to work on productions that are seeking to hit Out of London production quotas.[39] Although PACT and other bodies are working to try to enforce better definitions of Scottish-based production, it is likely that some of this behaviour will continue.

9.11 In order to fully maximise benefit to Scotland, there would also be a need to address the provision of suitable skills for TV drama and film production in Scotland. This may be a matter of providing better information about the availability of existing crew and talent, or may be about trying to develop skills in some particular areas. Unless this happens alongside the increase in infrastructure provision, then incoming productions will have no choice (or at least think they have no choice) but to bring in crew from elsewhere.

9.12 As we have mentioned several times during this report, other areas (including in the UK) are able to offer significant financial incentives for film and TV drama production that is secured

[39] Concern that Scottish based productions use English crew http://www.heraldscotland.com/news/home-news/bbc-accused-of-waste-for-employing-english-crews-on-scottish-sitcoms-1.921094

into their areas. This includes those areas, covered in our comparator section, that have studios and in each case, consultees from these comparators stated that the finance rather than the studio was the main draw for Inward investment productions.

9.13 In the absence of any similar incentive scheme by way of a production fund, we fear that any production and build space will be restricted to use by smaller scale domestic productions and will fail to attract the bigger budget Inward investment productions

Is this a priority?

9.14 The level of priority given to the provision of production and build space really varies according to who you ask. TV drama is specifically mentioned as a target for the sector in the report of the Television Broadcast and Production Group. However, for many working within the TV sector in genres other than TV drama, a production space is really not a priority at all.

9.15 We conclude from our research that if Scotland is to achieve the ambitious targets specifically for TV drama production, then it will need to make a production and build space available. If this is also to cover film production, then large features will expect to be able to access a space large enough for set-building. The main restriction that is causing a problem still is the ceiling height. Providing a facility that is not suitable for film production would be a missed opportunity, given the very high economic impact of large budget feature films.

Recommendations

9.16 Based on the research that we have conducted we recommend the following:

- Investigate further the option of adapting the SECC for TV and film production purposes. Encourage and support the SECC management to undertake a more detailed needs analysis of the sector in relation to that specific space and to develop an outline business plan. Consider investigating links between Film City Glasgow and the SECC that may be beneficial to both parties.
- Continue to work with the local councils including Edinburgh, Glasgow, West Lothian and Lanarkshire to try to find a suitable property that is within the council's ownership and is in vacant possession. The guideline of being located within the M8 corridor/central belt should be observed, but as the main constraint for film and TV drama production is ceiling height, there may be a need to consider a wider geographic range.
- Clearly, any further investment by the BBC in its Dumbarton Studios is to be welcomed and encouraged, as this will serve to enhance Scotland's capacity and credibility for TV production.
- Whether or not these possibilities lead to successful outcomes, there is a case for the relevant public sector agencies, Creative Scotland and Scottish Enterprise, to continue to promote suitable vacant properties to the film and TV sectors. Where the properties are available on a shorter term basis, there may be the option of paying rents only when the facilities are in use.

- Longer term, if the selected solution proves successful in attracting inward investment film and TV drama productions, it may then be reasonable to re-visit the issue of feasibility. If levels of demand had been sufficiently proven at this point, then there may be a case for scaling up to a more permanent and higher specification facility.
- Alongside the provision of production and build space, Creative Scotland and Scottish Enterprise must also consider Scotland's competitiveness for film and TV drama production and look to address disparities that exist in the skills base, availability of talent and, as a priority, production finance and incentives. It would be most useful to position plans for production and build space within a broader "road-map" for the sector that would set out aspirations; necessary infrastructure, skills and support to reach these; and a timescale with milestones identified.
- In order to market the production and build space, Creative Scotland should make links with the Office of the British Film Commissioner (OBFC), a division of the UK Film Council (UKFC), and particularly with OBFC staff working in the UKFC's Los Angeles office[40]. On the television side, there should be outreach to broadcasters and Scotland and London based production companies to inform them about the availability of these facilities.

[40] And any organisations that take on this function on closure of the Film Council

Annex A: Consultees

Name	Role/organsation
Alex Gaffney	BBC
Alison Dowzell	Wales Screen Commission
Amanda Millen	Highlands & Islands Enterprise
Andy Harris	Line producer (AFTPS)
Andy Weltman	UKFC-LA
Ann Mensah	BBC head of drama
Annie Griffin	Film producer
Belle Doyle	Scottish Screen
Bridget Goodman	BBC
Bruce Malcolm	BBC
Carol Sinclair	The Research Centre for TV and Interactivity
Colin Brown	British Film Commissioner
Dave Arrowsmith	Production Designer
David Smith	Matchlight
David Strachan	Tern TV
Iain Smith	Film producer
Jennifer Reynolds	Glasgow Film Office
John Hadity	Independent production expert
John McMillan	Head of legal at Scottish Enterprise
John Sharkey	SECC Chief Exec
Jonathan Warne	IWC
Julie Craik	Tayscreen
Katie Lander	Finestripe Productions
Ken Hay	Scottish Screen
Lenny Crooks	Formerly of Glasgow Film Office
Margaret Scott	Shed Media
Mark Geddes	South West Screen
May Miller	Talkback Thames
Neil Mack	Dumbarton Studios

Name	Role/organsation
Paul Hineman	Incorporated Media
Pauline Burt	Film Agency Wales
Richard Jobson	Film Producer & Director
Richard Wilkins	Scottish Government - Broadcasting Policy and Media Literacy
Richard Williams	Screen NI
Ros Davies	Edinburgh Film Focus
Stephen Burt	Location manager AFTPS
Steve Clark-Hall	Film Expert
Stuart Cosgrove	Regions & Nations Channel 4
Suzanne Dunn	West Lothian Council
Tiernan Kelly	Film City Glasgow
Tim Franklin	AFTPS
Wendy Griffin	Film and drama producer
Willie Wands	Location manager AFTPS

Annex B: Drama productions 2005 – 2009

TV drama series

Date	Production
2009	Garrow's Law (series 1)
2009	Dani's House (26x30mins)
2009	How not to live your life (2nd series)
2009	Happy Hollidays (series 1)
2009	Lip Service
2009	Rab C Nesbitt
2009	Life of Riley (series 2)
2009	Gary: Tank Commander (Series 1)
2008	Hope Springs
2008	Waybuloo (series 1) 0141 886 7127
2008	PAs
2008	How not to live your life (series 1)
2008	Half Moon Investigations
2008	Taggart 2008 (10 episodes)No.s 95-104
2008	Life of Riley
2008	The Old Guys
2008	Dear Green Place
2007	Rebus (3rd Ken Stott series)
2007	Dear Green Place - series 1
2007	Still Game Series 6
2007	Abenteuer Ferienhaus (renamed Hochzeit im Hochland)
2007	The Cowards
2007	Legit
2007	Raven series 6 & 7
2007	Taggart
2007	Empty
2006	Feel the Force
2006	Rebus (2nd Ken Stott series)
2006	Still Game series 5

Date	Production
2009	Garrow's Law (series 1)
2006	Taggart
2006	Raven Series 5
2006	Me Too
2006	Night Is Day
2005	Still Game
2005	Rebus (1st Ken Stott series)
2005	Monarch of the Glen (series 7)
2005	Sea of Souls (series 3)
2005	Jess (Children's TV)
2005	Taggart 2005
2005	Suspect (Children's)
2005	High Times 2
2005	Uncle Dad
2005	Raven series 4

Source: Scottish Screen

TV drama features

Date	Production
2009	Game of Thrones (pilot)
2009	Whiteout (Eisfeiber)
2009	One Night in Emergency
2008	Rab C Nesbitt Christmas Special 2008
2008	God on Trial (Auschwtiz)
2008	New Town (previously Purves & Pekkala)
2008	Fiona's Story
2008	Zig Zag Love (aka Get Fxxxed)
2008	No Holds Bard
2008	Stacked (pilot)
2008	Elvis (Eilbheas)
2008	39 Steps
2008	Glendogie Bogie - animation
2007	Starting Over (Robin Pilcher)

2007	Ninety eight percent
2006	Low Winter Sun
2006	Wedding Belles
2006	The Lighthouse Keeper
2006	The Acid Test (Reichenbach Falls)
2006	The Hogfather
2005	Sherlock Holmes and the Strange Case of Arthur Conan Doyle
2005	Summer Solstice
2005	The Best Man
2005	The Secret of the Stars (Das Geheimnus von St Ambrose)

Source: Scottish Screen

Annex C: Film productions in Scotland 2005 - 2009

Date	Film title
2009	Crying with Laughter
2009	Legacy
2009	Outcast
2009	American Widow
2009	Neds
2009	The Last Word
2009	The Wicker Tree (aka Cowboys for Christ aka Mayday)
2009	Centurion (previously The Lost Legion)
2009	Imogene
2009	Eagle of the Ninth
2009	A House in Berlin
2009	The Purple Lake (Love, Lies, Betrayal)
2009	Cosi
2009	Never Let Me Go
2009	Day of the Flowers
2008	One Day Removals
2008	The Dead Outside
2008	Dark Nature
2008	Wasted
2008	New Town Killers
2008	Kabhi Bhi Kahin Bhi (Any time, any where)
2008	Book of Blood
2008	The Descent II
2008	Solomon Kane
2008	Valhalla Rising
2008	Rounding up Donkeys - (follow up to Red Road)
2008	Max Manus
2008	Letter to the King (aka De Brief voor de Koning)
2007	Wicker Dogs

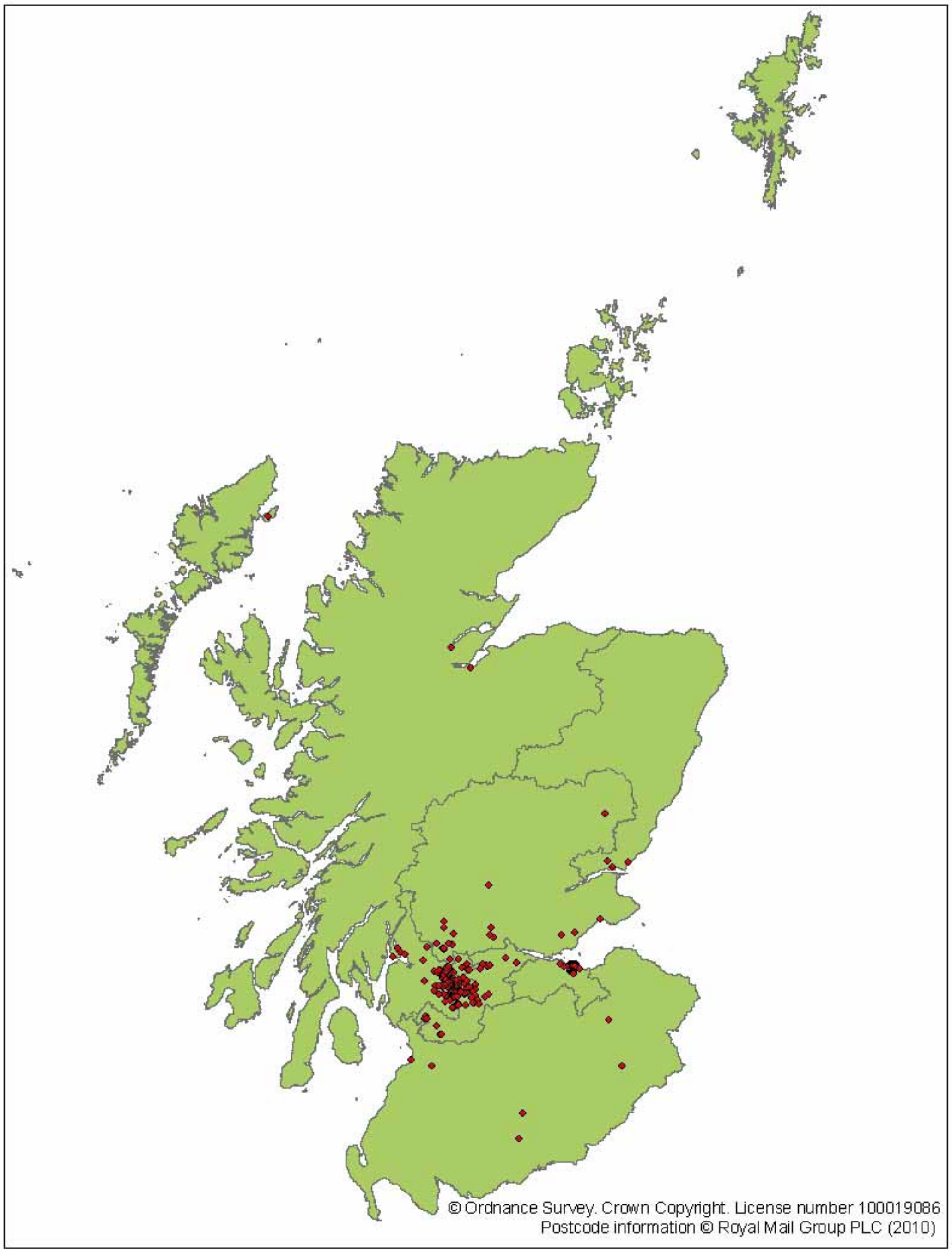
Date	Film title
2007	Running in Traffic
2007	Trouble Sleeping
2007	Outpost
2007	The Stone of Destiny
2007	Arn
2007	Doomsday
2007	Made of Honour
2007	Harry Potter and the Half Blood Prince
2007	Play On
2007	A Dying Breed
2007	Dungeon Moor
2007	Untitled Bollywood
2007	Blooded
2007	Sajna Ve Sajna
2007	Dukh Pardesan de
2006	Senseless
2006	The Inaccessible Pinnacle/ Seachd
2006	Death Defying Acts
2006	Hallam Foe
2006	Mister Lonely (Jokes)
2006	The Golden Age (Elizabeth follow-up)
2006	The Waterhorse
2006	Stardust
2006	Harry Potter and the Order of the Phoenix (2nd unit)
2006	Chan Mahi (Moon Lover)
2006	Flying Lessons aka Lezioni di volo
2006	Miss Potter
2005	Night People
2005	GamerZ
2005	Nina's Heavenly Delights
2005	Unleashed
2005	Red Road

Date	Film title
2005	The Flying Scotsman
2005	The Queen
2005	The Last King of Scotland
2005	Driving Lessons
2005	Wilderness
2005	The Da Vinci Code
2005	Lassie
2005	True North (aka Dragnet)
2005	The Stone Merchant (Il Mercante di Pietre)

Source: Scottish Screen

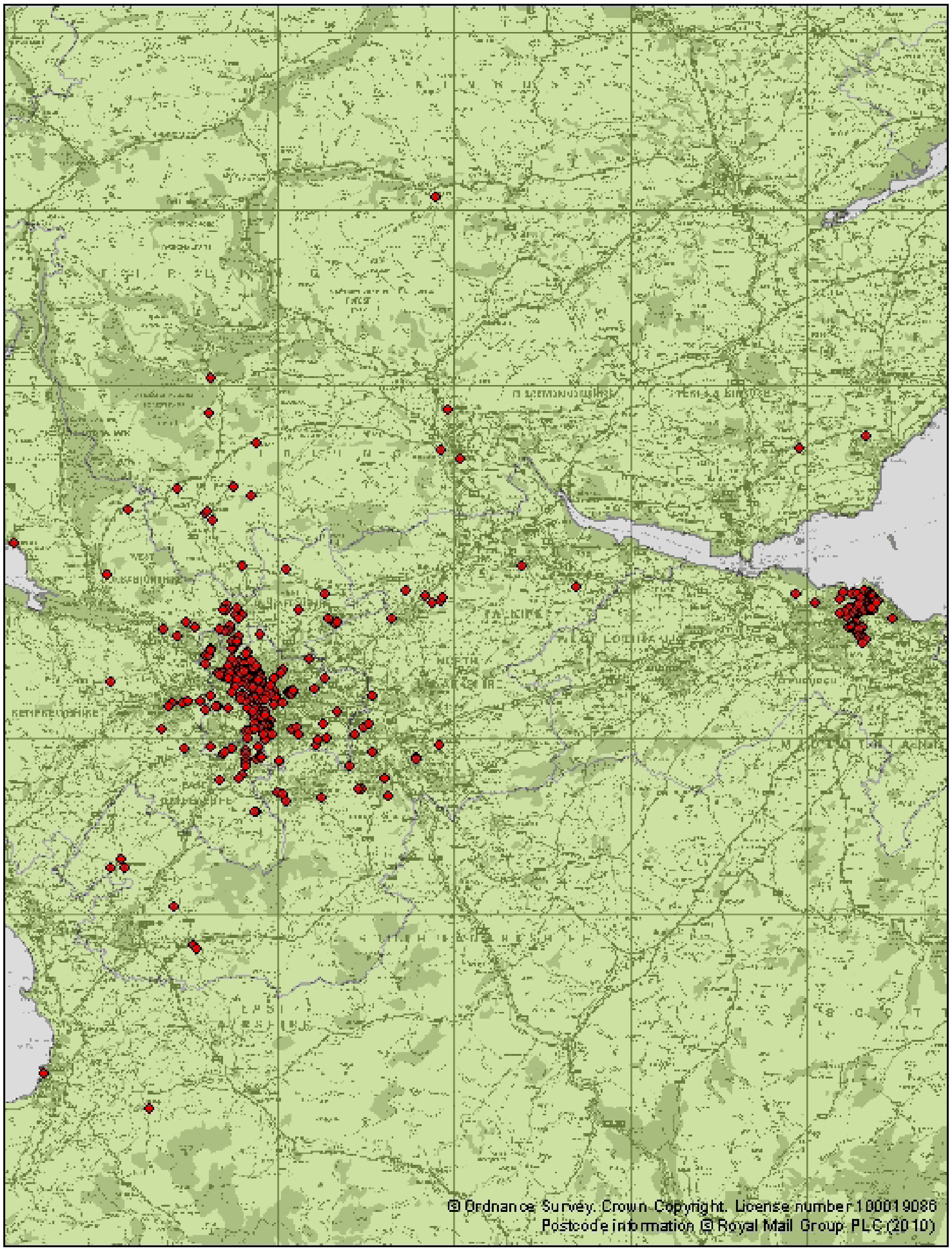
Annex D: Distribution of crew in Scotland

Figure D-1: Distribution of crew in Scotland



Source: Film Bang, 2010, Who's Who section

Figure D-2: Film crew in Central Belt



Source: Film Bang, 2010, Who's Who section