

#bfistats

UK SCREEN CONTENT GENERATES OVER £6 BILLION FOR THE UK ECONOMY

- *Creative screen related sectors contributed additional revenues to the Exchequer¹:*
 - *£1.1 billion from films;*
 - *£249 million from high-end television productions;*
 - *£429 million from video games; and*
 - *£52 million from animation programmes*
- *Film production in the UK directly contributes over £1.4 billion to UK GDP*
- *Each £1 of film tax relief generates £12.49 in GVA for the UK economy*
- *Spend on High-End TV in the UK was 87% higher in the first year of the tax relief than the preceding year*
- *Growth in the industry has stimulated more than £425 million in private capital investment in production facilities since 2007*

LONDON – Tuesday 24 February 2015. Government support for the UK's screen industries in the form of the creative sector tax reliefs is playing a major part in stimulating business growth and a return of more than £6 billion a year for the UK economy, according to an independent report published today.

The Economic Contribution of the UK's Film, High-end TV, Video Games and Animation Programme Sectors, produced by analysts Olsberg•SPI and Nordicity and commissioned by the BFI, Pinewood Group plc, the British Film Commission, UK Interactive Entertainment (Ukie) and Pact, shows that UK film has seen significant growth in activity with the introduction of the 2007 Film Tax Relief (FTR). This is ensuring the UK film industry is continuing to maximise its position in a highly competitive international environment, is creating more successful British films and employment, and is stimulating further private investment in world-class infrastructure. The high-end television sector has shown rapid growth since the introduction of the tax relief for home-grown and international productions made in the UK. The Animation TV Tax Relief supported over £50 million of production expenditure in its first 12 months of operation.

For the first time ever, the report which is updated every two years and offers the most detailed analysis of the contribution that film makes to the UK economy, has been expanded to cover high-end television production, video games and TV animation programmes. These newly

supported sectors in the UK utilise many of the same creative and technical skills as film, and as part of the report provide a fuller picture than ever before of four of the UK's key creative industries. Tax reliefs have been introduced for each of the sectors, reflecting the UK's high-level abilities and opportunities for growth.

Culture Secretary Sajid Javid says: "The UK's film, TV and video games industries are amongst our nation's biggest success stories. When you look at *Star Wars: Episode VII* being filmed at Pinewood, the global popularity of *Downton Abbey* and the phenomenal success of Rocksteady's "*Batman Arkham*" video game series, it's clear the sector is only getting stronger. This report highlights how they're each a powerful driver of growth and the incredible impact our creative industries are having on our economy.

"We're determined to cement the UK's position as the best place in the world to create and shoot film, TV, animation and video games. The tax reliefs we've put in place are a key part of our long term economic plan, and it's fantastic to see the huge boost they've delivered to this highly creative and dynamic sector."

Amanda Nevill, Chief Executive of the BFI says: "This report is yet another positive endorsement of the creative and cultural legacy our screen industries bring to us as nation and the Government's commitment to supporting an effective fiscal environment. The tax reliefs supporting British creativity and business combined with our world-class crews, award-winning talent and state-of-the-art facilities are helping the UK to be at the top of its game in a highly competitive global industry. British films, television, animation and video games are a success story at home and abroad that we should be really proud of."

Ivan Dunleavy, Chief Executive of Pinewood Group plc says: "The global demand for content continues to rise. The UK is well placed to meet that demand given its creativity, the breadth of skills base, world-class infrastructure and fiscal incentives. Following the recent publication of the DCMS Creative Industries Economic Estimates and the 2014 production figures for film, high end television, animation and video games, the publication of today's report further underlines the importance of our cultural exports and the earnings the screen industries bring to the UK economy. Pinewood is playing its part by investing in new facilities and services, as well as providing experience and backing to UK producers."

John McVay, Chief Executive Officer of Pact, says: "This report justifies the UK's creative industries and the UK Government's ambition to make Britain one of the world's leading audio-visual economies, sustaining high quality jobs, driving international exports, and giving the hard-pressed tax payer a return on their investment. With the much anticipated tax credit for children's programming imminent, this can only add to further growth."

Dr Jo Twist, Chief Executive Officer of Ukie, says: "The games sector clearly makes a significant cultural and economic contribution to the UK. Games development contributed the most in GVA per employee, and these figures, along with our findings from the Nesta-Ukie Map of the UK Games Sector, provide a good benchmark for our fast-growing, innovative, and creative sector. We expect to see the sector's contribution grow further as the Video Games Tax Relief beds in, but in a global marketplace estimated to be worth more than \$100 billion by 2017, we need to

ensure we remain competitive as a creative nation. We will reach our full potential if we invest in 21st century skills, continue to support the growth of creative clusters around the country, and support SMEs so they can access new marketplaces.”

Adrian Wootton, Chief Executive of the British Film Commission and Film London, said: “This report, alongside record-breaking production statistics for 2014 and success at the Oscars, yet again confirms the UK screen industries are generating billions for the economy and are vital in terms of job creation. A creative powerhouse, our industry is able to successfully compete on a global stage, thanks to a combination of attractive tax incentives alongside world-class infrastructure, talent and crew. I am proud of the British Film Commission’s role in contributing to these successful figures, and I look forward to continuing to work with our government and industry partners to ensure our screen industries thrive and deliver for the UK economy.”

FILM

Tax Relief and Investment

The report underlines the importance of the Film Tax Relief (FTR) in enabling the UK to maintain its competitiveness as the leading production destination of choice for international filmmakers as well as supporting home-grown British films.

The report illustrates the benefits of the FTR which costs HM Treasury approximately £164 million a year and supports an annual average production spend on film in the UK of £1.136 billion. In simple terms, each pound of the FTR over the period 2007 to 2014 has generated £12.49 in additional gross value (GVA). Without the FTR, it is estimated the spend on film production in the UK would be £550 million lower annually.

The UK film sector continues to be a strong source of private capital investments, with more than £425 million invested by just two companies alone in their infrastructure since 2007. The pace of investment has increased in recent years with Pinewood, Warner Bros. Studios Leavesden, and Industrial Light & Magic amongst those making significant investments but it has also extended UK-wide with Belfast (Titanic Studios), Bristol (Bottle Yard Studios) and Cardiff (BBC/Pinewood) all benefitting from studio investments.

The distribution of films also generates significant economic activity with companies generating over £1.2 billion in turnover in this part of the sector.

The positive impact of the Film Tax Relief for UK film extends beyond the film sector, both in terms of spillover benefits for other industries such as tourism and merchandising and in leading the way for the introduction of tax reliefs for the introduction of new tax breaks for high-end TV (2013), animation TV programmes (2013) and video games (2014).

Just recently, the BFI published statistics for 2014 which saw a massive surge in film production in the UK, generating a total spend of £1.471 billion, an increase on the previous production peak in the UK of £1.325 billion in 2011. Films which started production in the UK in last year included *Star Wars: Episode VII – The Force Awakens*, *Mission: Impossible 5*, *Alice In*

Wonderland: Through the Looking Glass Pan, Suffragette, 45 Years, Dad's Army, Kill Your Friends and Shaun the Sheep.

FILM

Jobs and skills

Film is a major employer generating 39,800 direct jobs contributing £1.4 billion to UK GDP in 2013 with a growing percentage of employees being directly employed rather than working self-employed. Film production providing employment UK-wide although London and the South-East accounts for 69% of jobs.

Since the start of the UK economic recovery in 2009, employment in the film sector has increased by 21.6%, outpacing almost all other sectors of the economy. From year to year employment spikes reflect when large budget films, with crews which run into hundreds of workers, start production.

The benefits of film spend extends to workers in other industries which service film companies. In re-spending their income within the UK economy, these workers generate further economic activity captured by the report within multiplier effect analysis. Other industries which benefit from film (eg tourism) are identified by the report as receiving spillover benefits. Together, the core film industry, multiplier and spillover effects raises employment to 97,000 full-time equivalent jobs.

International trade and exports

Film is a significant source of export earnings for the UK generating over £1.4 billion in 2013 (the most recent year for which figures are available). With export earnings significantly exceeding the UK's import of film services since the introduction of the FTR in 2007, film continues to yield a significant trade surplus of £916 million according to the latest statistics. Film also displayed the highest ratio of exports to GVA - 65% - of any UK service sector in 2012 making it higher than television (43%) and compared to a UK-wide service sector average of 35%.

British culture

The film sector continues to contribute substantially to the UK's cultural life, with its rich diversity of stories and talent working as key cultural signposts to the UK both domestically and overseas. In 2013, the industry once again saw the release of a number of major UK studio-backed projects – including *Gravity* and *Captain Phillips* – as well as UK independent productions such as *Rush*, *Sunshine on Leith*, *Philomena*, and *Quartet*.

The cultural impact of these sectors will be analysed in more detail in a further report, to be published by the BFI in the spring.

Tourism and other benefits

Films are influential on the UK's vibrant tourism economy and the international profile of the UK. *Harry Potter*, *Notting Hill* and *Bridget Jones* all draw tourists to the UK from around the world. The report shows that 2% of all overseas visitors visited a film location between 2006 and 2011 and estimates that around £840 million of tourism spend could be attributable to UK film, contributing £92 million to the Exchequer.

The combined sales of soundtracks, computer and video games and other film-related merchandise (eg books, toys, clothing) associated with UK was an estimated £226 million in 2013, generating £69 million in tax revenue.

Film and TV also play a role in promoting the 'UK plc' brand overseas. The report estimates that the placement of the UK on screens around the globe led to an additional £717 million in turnover for UK companies in 2013 and £63 million in tax revenue for the Exchequer.

HIGH-END TELEVISION

The report shows that high-end television production in the UK has shown rapid growth since the introduction of the new High-End TV Tax Relief (HETR) in 2013. A number of major US productions have been attracted to the UK as their production base including *24: Live Another Day* and individual episodes of *Veep* and *Elementary*. The economic benefits of high-end television production have been UK-wide with *Outlander* shooting in Scotland, *Galavant* being produced in Bristol, *Da Vinci's Demons* in Swansea and *Game of Thrones* continuing to be made in Belfast. In addition, private investment in infrastructure across the UK has been spurred by the level of TV production activity supported by the new HETV.

Tax relief and investment

The impact of the first full year of the HETR has seen production spend increase from around £50 million to £394.7 million, 57% of which was on major international programmes.

In addition to production revenues, the report shows that HETV programming generated the equivalent of £181.7 million in revenue for UK broadcasters in 2013, 2.6% of the total broadcast industry turnover of £7,033 million. DVD and Blu-Ray sales and rentals are estimated to account for £27.5 million in revenues. Television and online VoD are estimated to contribute a further £16.9 million. Including all direct impacts, this £394.7 million spend supports an estimated 8,300 full-time equivalent jobs and generates £381.5 million in GVA.

Exports

Productions such as *Downton Abbey*, *Sherlock* and *Doctor Who* are seen as major components of the UK's cultural life, both domestically and abroad.

Tourism and other benefits

As with film, fans of high-end drama programming are attracted to locations which feature, for example, *Downton Abbey* has increased visits to Highclere Castle in Berkshire. The report estimates £210 million of inward tourism spend is associated with HETV and £23 million in tax revenues.

Total economic contribution

When multiplier and spillover effects are taken into account, HETV is estimate to have supported 16,800 full-time equivalent jobs in total in 2013, and generated £249 million in revenues to the Exchequer and £852 million in GVA. This means £1 of tax relief resulted in £8.31 of GVA for the UK economy; this economic activity provides £2.48 of additional tax revenue to the Exchequer for each pound of HETR granted.

VIDEO GAMES

The UK develops and produces innovative and successful video games including the highest grossing video game series of all-time, *Grand Theft Auto*. The latest edition of this global hit, *Grand Theft Auto V*, has sold more than 33 million copies worldwide, generating \$2 billion (£1.3 billion) in sales.

The UK Government introduced the Video Games Tax Relief (VGTR) effective from 1 April 2014 to support the development of culturally-relevant video games and ensure the UK video games industry was able to maintain its position and capitalise on opportunities to grow in an increasingly competitive international business.

In 2013, the year before the introduction of the VGTR, the core UK video games sector, defined as video games wholly or partially made in the UK, provided 12,100 direct full-time equivalent jobs across development, publishing, and retail with 52% of development jobs accounted for by businesses UK-wide and outside of London (27%) and the south-east (21%). In publishing, the south-east has the largest share of employment (32%) accounted for by companies such as Microsoft and Electronic Arts, closely followed by London (31%) accounted for by companies including Warner Bros.

The report concludes £639.1 million was generated in GVA last year in the development part of the sector alone, whilst publishing of UK games is estimated to have contributed £63.3 million in GVA.

In terms of retail, games consumers also made a significant contribution to the economy spending £2.5 billion in 2013; considering only UK-made games, this spend generated £53 million in GVA in retailer margin.

Including multiplier and spillover effects, the overall GVA contribution for the core video games sector rises to £1.43 billion generating tax revenues of £429 million. No figure for return to the government is presently available, as the Video Games Tax Relief only came into effect last year and thus has not been in operation long enough.

TV ANIMATION PROGRAMMES

The UK has a long tradition of creating successful animation programmes such as *Bob the Builder*, *Wallace and Gromit*, *Thomas and Friends* and *Peppa Pig*, which have become global franchises generating revenues of hundreds of millions.

With the long lead-in which characterises animation development and production, the report highlights that it is too early to fully assess the impact of the ATR. The business model for animation programmes also differs from film and HETV in that the productions are readily adapted to other languages, a benefit for export. The economic returns from sales and licensing activities occur several years after production and the first airing but revenues can last several years into the future.

In recent years, the animation programme sector has faced a combination of high costs, competition from strong overseas incentives, and falling licence fees from broadcasters which has led to a hollowing out of the sector, with few UK buyers for original UK animation programming.

Currently, the UK animation programme production business remains relatively small – in 2013-14, production expenditure was £51.7 million, generating £41.4 million in direct GVA, and supporting 1,100 full-time equivalent jobs. When multiplier and spillover effects are taken into account, the UK animation programme sector is seen to generate £171.1 million in GVA, supported 4,700 full-time equivalent jobs, and provides £52.0 million in tax revenue to the Exchequer.

Animation programming generates value for the broadcasters as well as offering cultural value to young audiences in particular. Video platforms, including DVD sales and rentals, and VoD platforms like Netflix, are estimated to generate a further £2.3 million in turnover related to UK animation programmes.

Although the impact of the new animation programme tax relief (ATR) will take time to materialise, a comparison between 2011 (pre-ATR) when the level of animation production was £46 million and in 2013-2014, when it increased to £51.7 million suggests an increase of 11% in the level of production spend for the first year of the ATR. This equates to a taxation return for the Exchequer of £0.32 in additional tax revenues for every pound of tax relief. The report suggests these estimates are extremely conservative.

Animation programming generates significant spillover effects in related business activity, eg merchandise sales. Two leading UK animation brands, *Peppa Pig* and *Thomas and Friends*, generated a combined £400 million in merchandise sales in 2010. Accounting for other animation brands and market growth, the licensed merchandise sales market was estimated to be worth £500 million in 2013, generating £72 million in GVA and supporting 2,500 full-time equivalent jobs.

Tourism

Thomas Land at Drayton Park Manor Theme Park in Staffordshire attracts visitors from around the world for *Thomas and Friends*, which is transmitted in the US and dozens of other countries. Whilst *Peppa Pig* is popular with UK audiences, it has also grown to be a massive international success now airing in the US and 180 different countries.

The full report is available at

<http://www.bfi.org.uk/education-research/film-industry-statistics-reports/reports/uk-film-economy/economic-contribution-uks-film-sectors>

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NOTES TO EDITORS

About the BFI

The BFI is the lead organisation for film in the UK with the ambition to create a flourishing film environment in which innovation, opportunity and creativity can thrive by:

- Connecting audiences to the widest choice of British and World cinema
- Preserving and restoring the most significant film collection in the world for today and future generations
- Championing emerging and world class film makers in the UK - investing in creative, distinctive and entertaining work
- Promoting British film and talent to the world
- Growing the next generation of film makers and audiences

The BFI is a Government arm's-length body and distributor of Lottery funds for film. The BFI serves a public role which covers the cultural, creative and economic aspects of film in the UK. It delivers this role:

- As the UK-wide organisation for film, a charity core funded by Government
- By providing Lottery and Government funds for film across the UK
- By working with partners to advance the position of film in the UK.

Founded in 1933, the BFI is a registered charity governed by Royal Charter. The BFI Board of Governors is chaired by Greg Dyke.

www.bfi.org.uk



Pinewood Group plc

The Pinewood Studios Group is a leading provider of studio and related services to the global film and television industry. Synonymous with world class British and international productions, the impressive heritage of its UK-based Pinewood and Shepperton Studios date back to the early 20th Century and are home to some of the most successful feature films and TV shows ever made.

The facilities comprise the best quality sound stages, a globally unique underwater filming stage, a wealth of specialist production resources, state of the art TV studios, post production and digital content services. The studios also offer easy access to the world's most experienced crews as well as the expertise of hundreds of complementary media companies based at its Pinewood and Shepperton Media Hubs.

Renowned across the globe for excellence in its field, the Pinewood brand is now being exported overseas to studios in Toronto, Canada; Atlanta, Georgia USA; Iskandar, Malaysia and the Dominican Republic.

The Pinewood Group offers equity and debt financing to UK film and television production as part of its growing range of advisory services, representing media funds of both Isle of Man and Welsh Governments.

Recent film and TV productions that have used the Studios' facilities include, Gravity (Warner Bros); Guardians of the Galaxy (Marvel Entertainment); Jack Ryan: Shadow Recruit (Paramount Pictures); Maleficent (Walt Disney Studios); 8 out of 10 Cats, Would I Lie To You and The Guess List.

www.pinewoodgroup.com<<http://www.pinewoodgroup.com>>

Pact

Pact is the UK trade association which represents the commercial interests of 500 independent television, feature film and digital media companies.

Pact supports its members with legal and business affairs advice and support, as well as a wide range of services and campaign work.

Pact helps to shape the best possible regulatory and legislative environment for the independent production sector to grow domestically and internationally – the association has a strong record of success in campaigning for producers' rights.

Ukie

The Association for United Kingdom Interactive Entertainment or Ukie is the trade body that aims to support, grow and promote the whole of the UK's games and interactive entertainment industry. Ukie's membership includes all the major UK and global games publishers and the best of UK development talent. Ukie works with government to champion a range of issues including age ratings, education and skills, access to finance and protecting intellectual property rights. It also works with the media to ensure true and accurate representation of the sector by raising

awareness of the industry's positive economic contribution and the societal benefits of gaming to policy makers, regulators and consumers.

Website: ukie.org.uk **Twitter:** [@uk_ie](https://twitter.com/uk_ie) **Facebook:** [Ukie](https://www.facebook.com/Ukie) **Linked in:** [Ukie](https://www.linkedin.com/company/ukie)
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About the British Film Commission

The British Film Commission (BFC) is the national body responsible for maximising and supporting the production of international feature films and high-end television in the UK. With offices in the UK and the US, the BFC provides free professional advice to help make productions in the UK a reality.

The BFC has commercial sponsors, who form the membership of the agency's innovative public/private partnership: Disney, Harbottle & Lewis, Pinewood Studios Group, Saffery Champness, Warner Bros. UK and its UK-based film production operations, BBC Worldwide, Coutts, Double Negative, Elstree Studios, Framestore, MPC and Working Title Films.

The British Film Commission is managed by Film London through a public/private partnership funded by the Department for Culture, Media and Sport through the BFI, it also receives funding from UK Trade and Investment.

www.britishfilmcommission.org.uk

www.filmlondon.org.uk