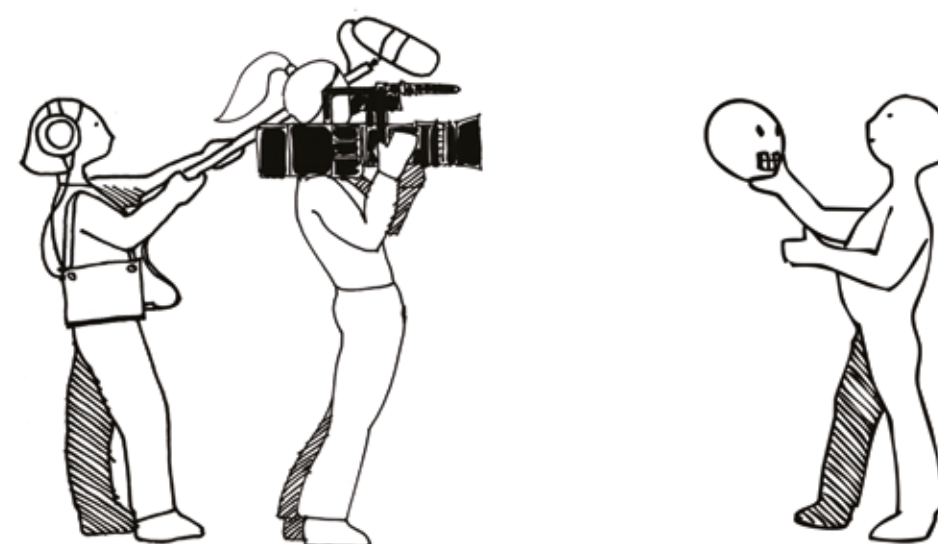


COBA 2014 Census



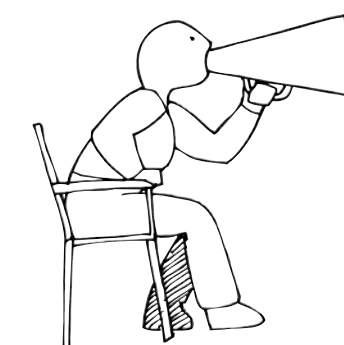
MULTICHANNEL INVESTMENT IN TV PRODUCTION

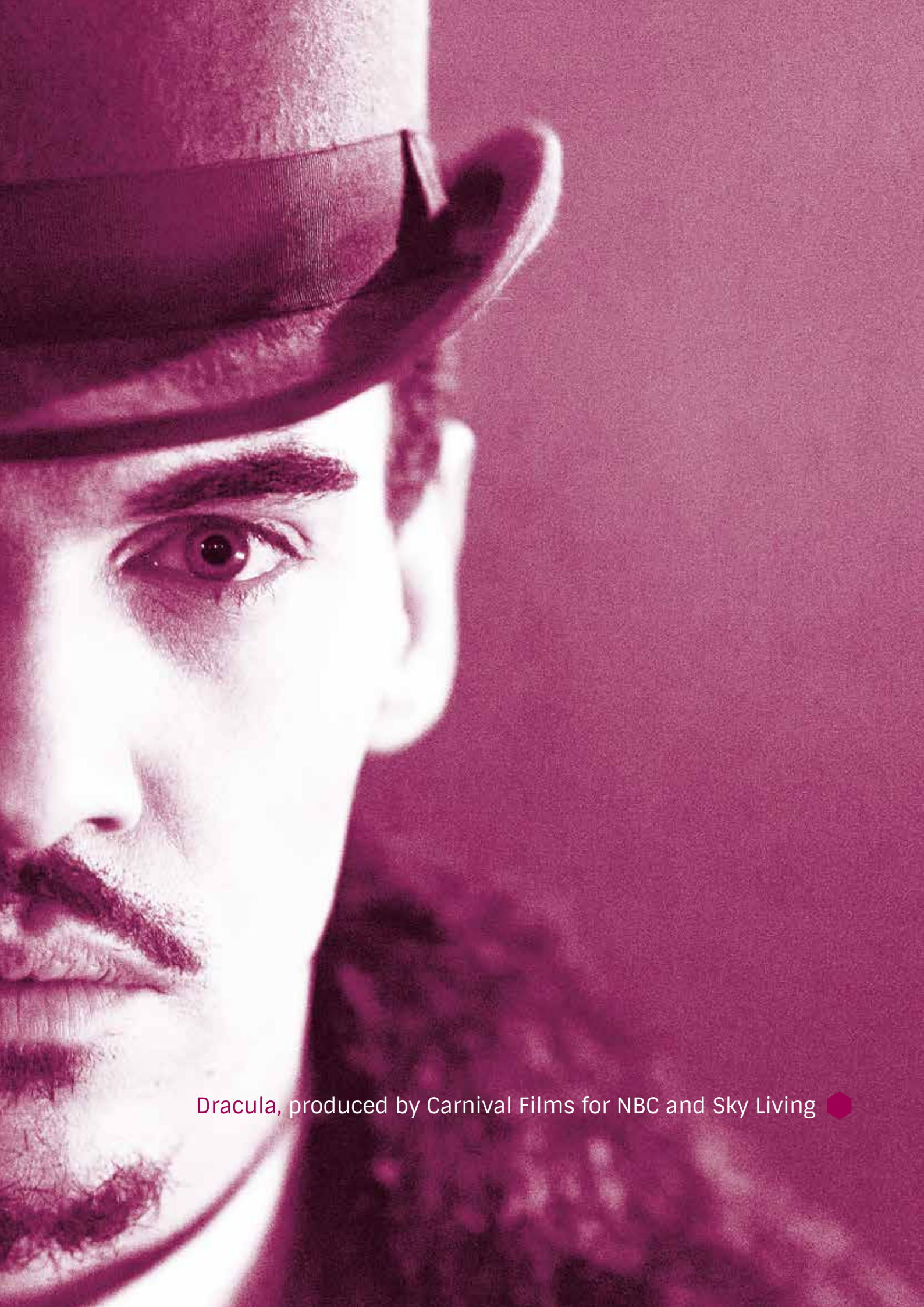
Prepared by Oliver & Ohlbaum Associates Ltd | June 2014

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Prepared by





Dracula, produced by Carnival Films for NBC and Sky Living

KEY FINDINGS

Investment in UK production

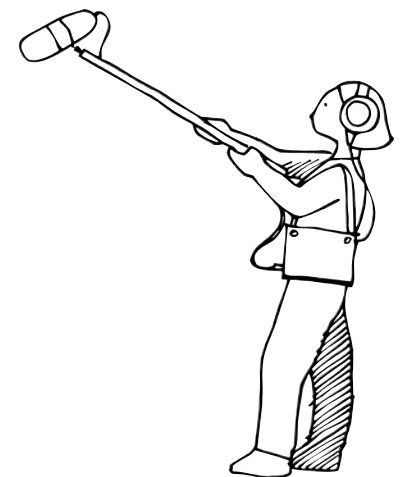
- Overall investment in content (UK and non-domestic) by COBA members has continued to grow at 5% a year since 2011.
- Investment in UK production outpaced total growth at 5.5% per annum over this period, reaching £725m in 2013.
- Investment in first-run (i.e. new) UK production grew at an even higher rate of 7% a year.
- Programmes commissioned by COBA members and PSBs, as well as inward investment productions, are benefitting from the new high-end TV and animation production tax reliefs.

Commissioning independent producers

- The highest area of growth amongst COBA members was investment in UK content from external producers, up 9.8% a year since 2011.
- Overall, over a third of UK content investment from COBA members goes towards supporting the independent production sector.
- More than two thirds of independent investment is spent with smaller producers.

The UK news hub

- The UK is an important hub for news and current affairs production, with investment by multichannel broadcasters worth nearly £90m a year.
- This investment in UK news production is growing at 2.8% per annum.



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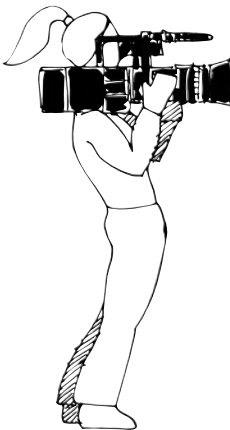
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The role of the new TV tax reliefs

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INTRODUCTION

The Commercial Broadcasters Association (COBA) is the UK industry body for commercial broadcasters and their on-demand services. Its members include major non-public service broadcasters and niche channels. They are one of the fastest growing parts of the UK broadcasting sector. COBA members are: A+E Networks; BSkyB; Chinese Channel; Discovery Networks; Fox International Channels; NBCUniversal; QVC; Scripps Networks International; Sony Pictures Television; The Walt Disney Company; Turner Broadcasting and Viacom.

coba.org.uk

Scope of the COBA Census

The 2014 COBA Census is a follow up to the Economic Impact Study undertaken by Oliver & Ohlbaum for COBA in 2012, for the period 2009 to 2011. The scope of the 2014 Census is not intended to replicate the entire Economic Impact Study, but rather to focus on and update the sections about investment into UK content undertaken by COBA members, covering 2011 to 2013. For comparison reasons, where relevant, numbers for 2011 have been restated to reflect a new sample size since the last study was undertaken. In addition, this report also looks at a number of case studies of productions commissioned by the multichannel sector. The COBA Census is sponsored by the British Film Commission and Film London.

About the sponsors

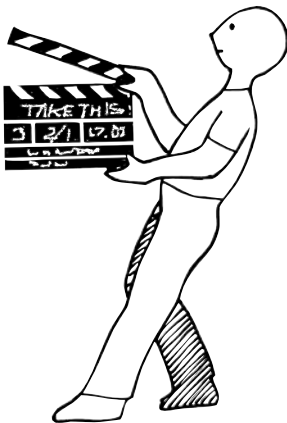
The British Film Commission (BFC) is the government's national organisation responsible for inward investment feature film and television production. With offices in the UK and the US, the BFC leads on maximising and supporting the production of international feature film and television in the UK, strengthening and promoting the UK production infrastructure and liaising between the Government and industry on legislative issues that impact on production.

The BFC is the national division of Film London funded through a public/private partnership by the Department for Culture, Media and Sport via the BFI, UK Trade and Investment, the BFI's International Fund and commercial sponsors. BFC Founding Sponsors: Disney, Harbottle & Lewis, Pinewood Studios Group, Saffery Champness and Warner Bros. BFC Silver Sponsors: Coutts, Double Negative, Elstree Studios Framestore, Moving Picture Company and Working Title Films.

britishfilmcommission.org.uk

Film London is the capital's screen industries agency, connecting ideas, talent and finance to develop a pioneering creative culture in the city that delivers success in film, television, animation, games and beyond. The agency works to sustain, promote and develop London as a global content production hub, support the development of the city's new and emerging filmmaking talent and invest in a diverse and rich film culture. Funded by the Mayor of London and the National Lottery through the BFI, Film London also receives support from Arts Council England and Creative Skillset.

filmlondon.org.uk



*“The multichannel sector
remains the growth engine
of the UK TV industry.”*

Section

1

GROWTH OF THE MULTICHANNEL SECTOR



Fortitude, produced by Fifty Fathoms for Sky Atlantic

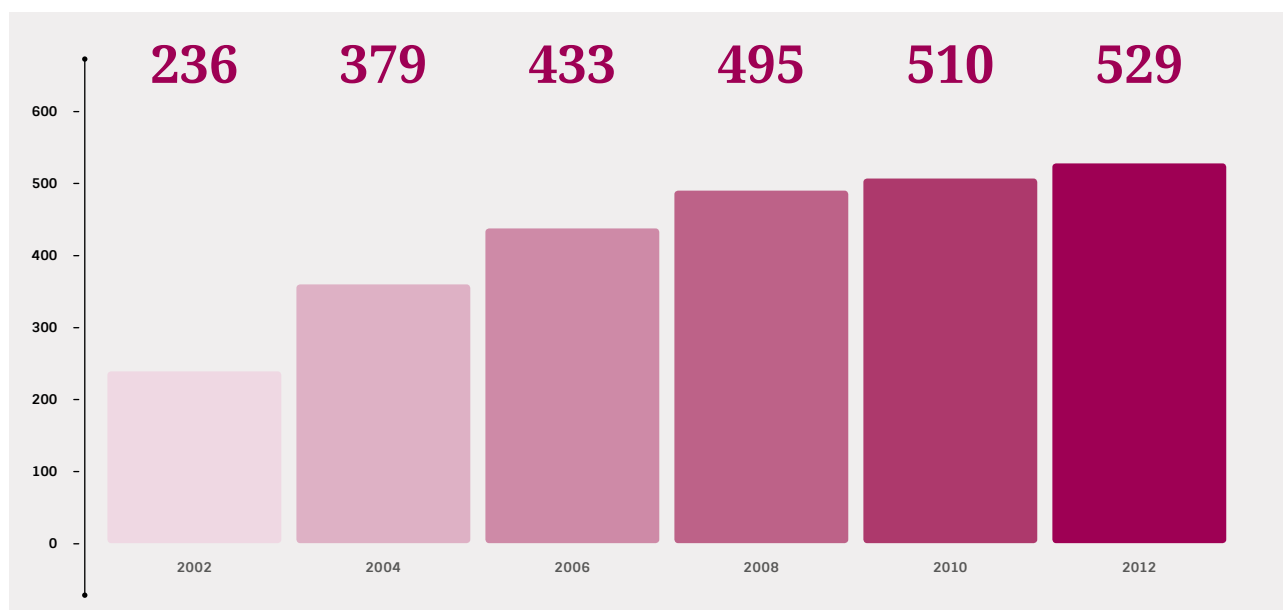


GROWTH OF THE MULTICHANNEL SECTOR

1.1 Continued growth in the TV sector

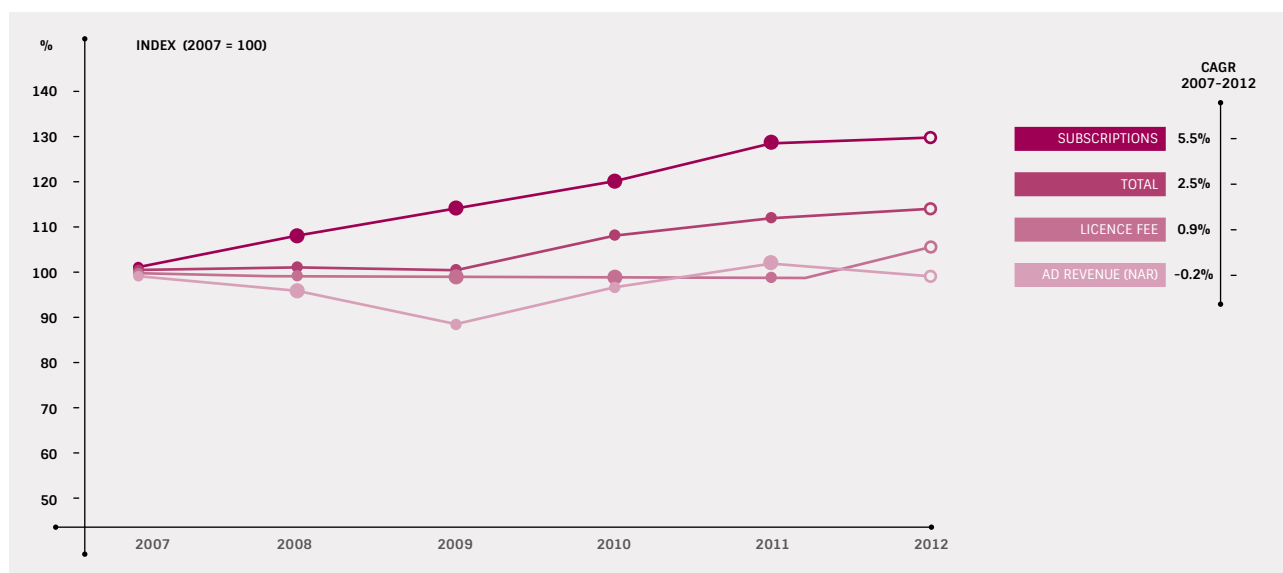
The number of TV channels in the UK has more than doubled over the last decade. Multichannel remains the growth engine of the UK TV industry.

Fig. 1: Number of TV channels in the UK 2002-2012



TV revenues have continued to rise since 2009. This increase has mainly been driven by the growth in subscription revenues, with licence fee revenues only showing modest growth and advertising still recovering from recent years' downturn.

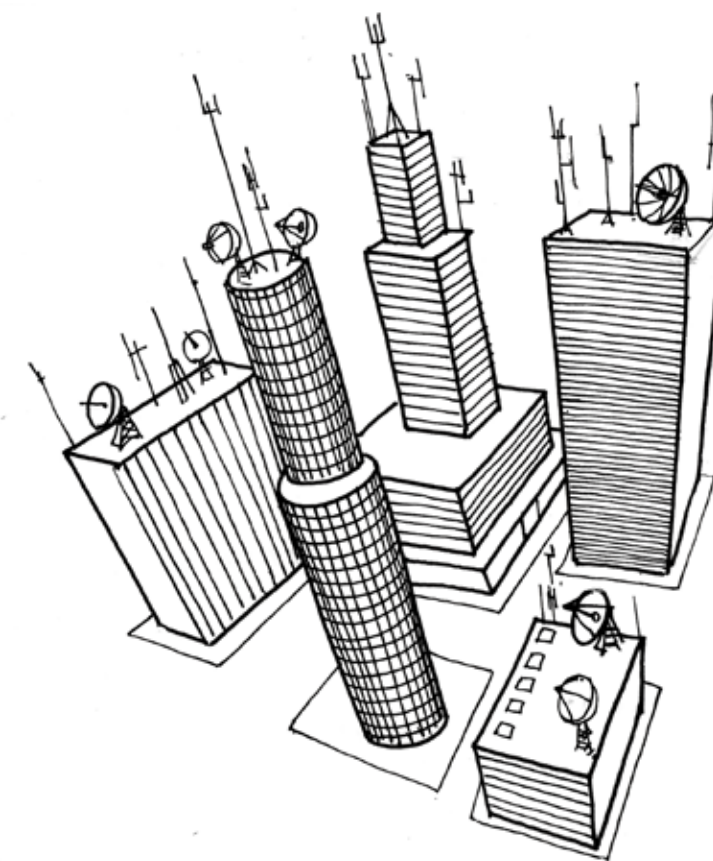
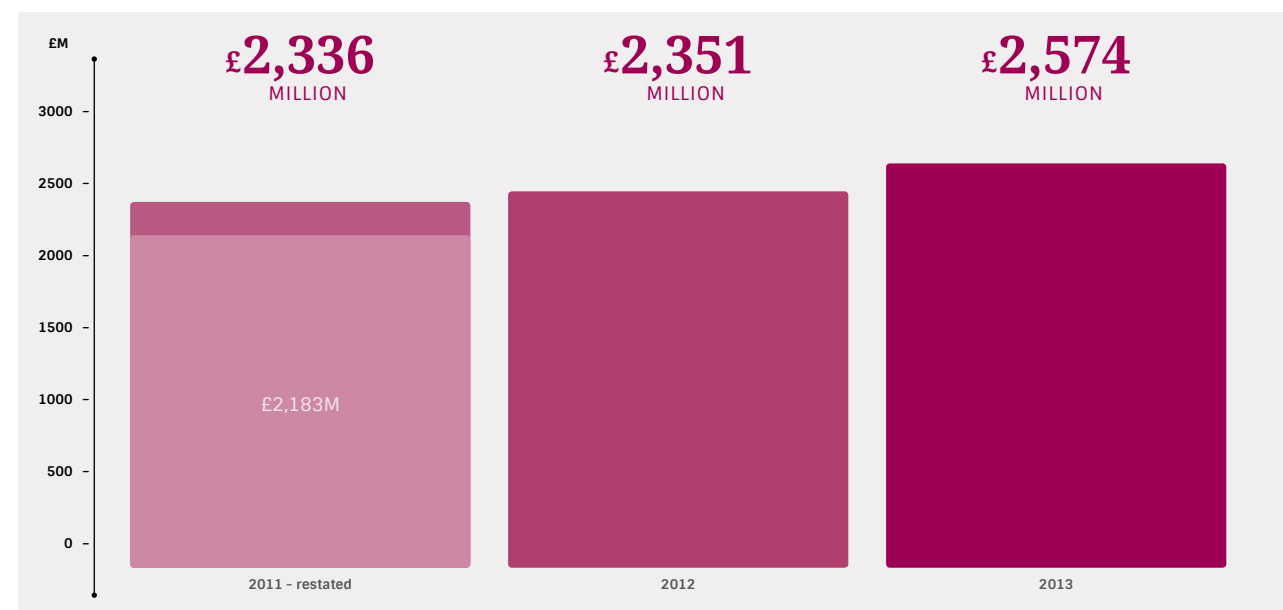
Fig. 2: Growth in TV revenue by source 2009-2012



1.2 Total content (UK and non-domestic) investment continues to grow

Total content investment (UK and non-domestic) by COBA members has continued to grow at an annual rate of 5.0% since 2011.

Fig. 3: UK channel content investment 2011-2013*



*“Investment in new UK
production rose by 7% a year”*

Section

2

INVESTMENT IN UK PRODUCTION

Mud Men, produced by ITN Productions for History UK

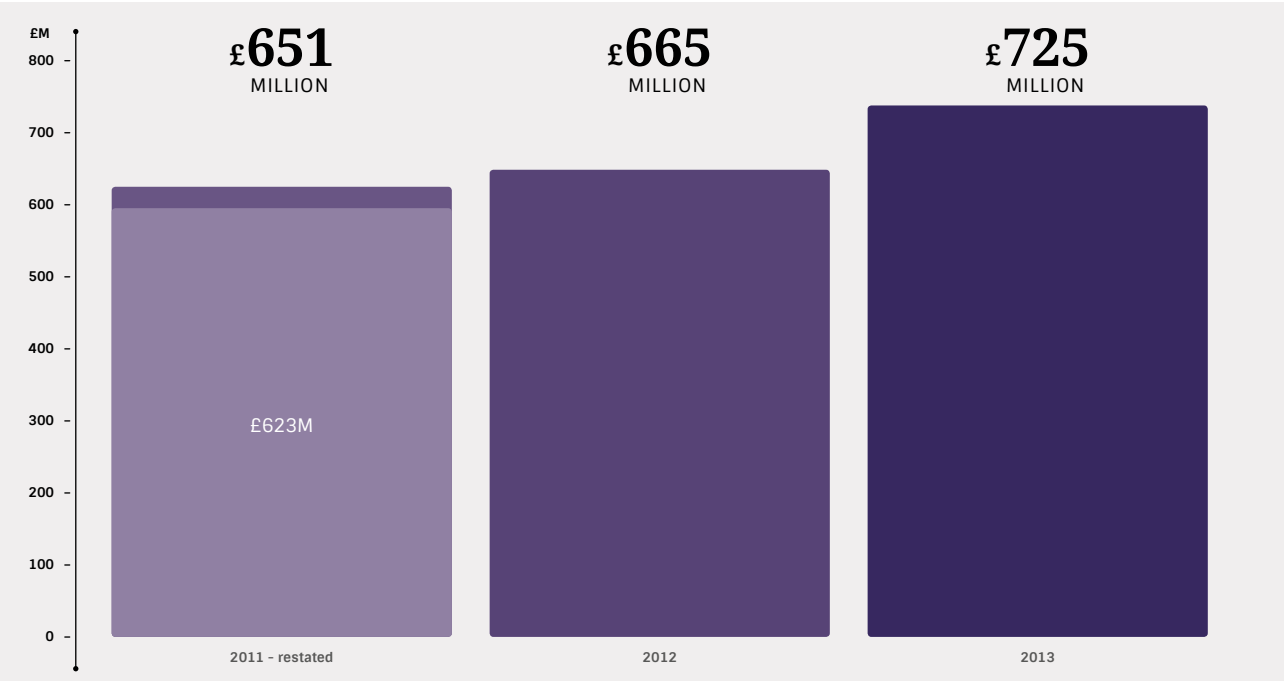


INVESTMENT IN UK PRODUCTION

2.1 Investment in UK content is outpacing total growth

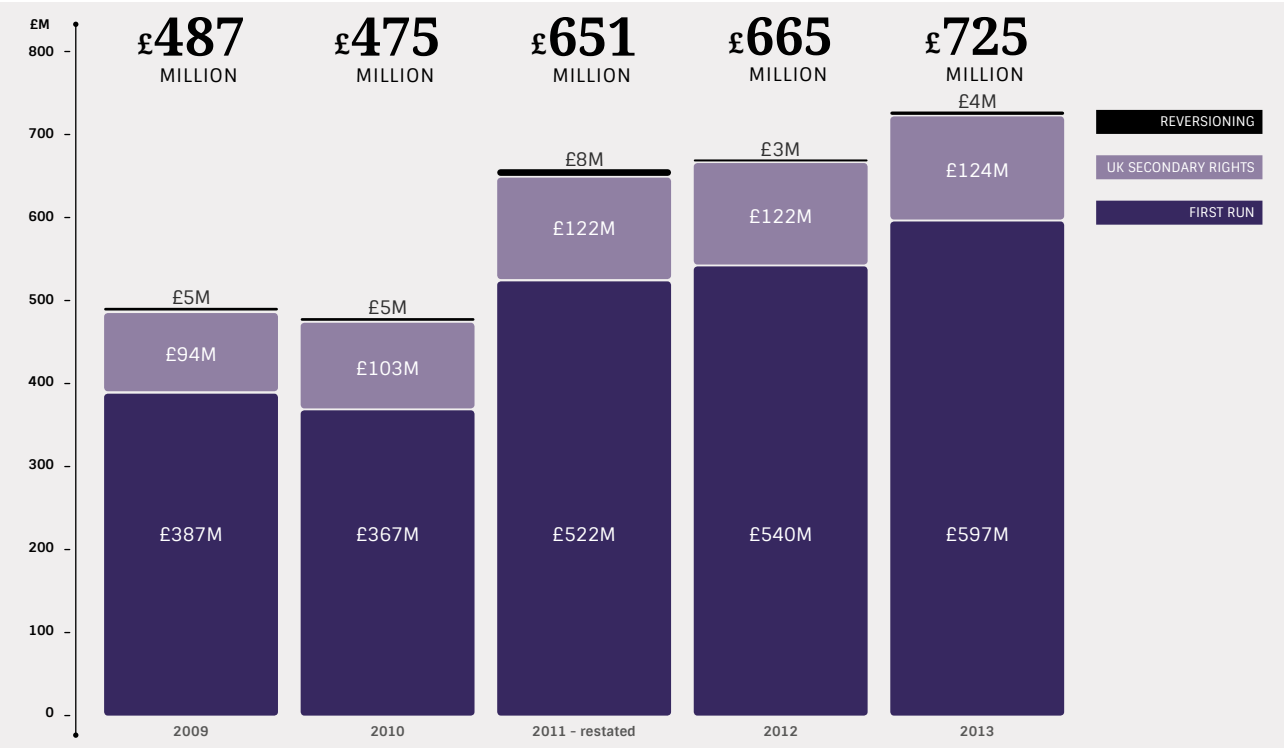
While investment in all content (UK and non-domestic) grew at 5% CAGR, an even higher rate of growth has been experienced in UK content investment, with annual growth of 5.5%.

Fig. 4: UK channel investment in UK content 2011-2013



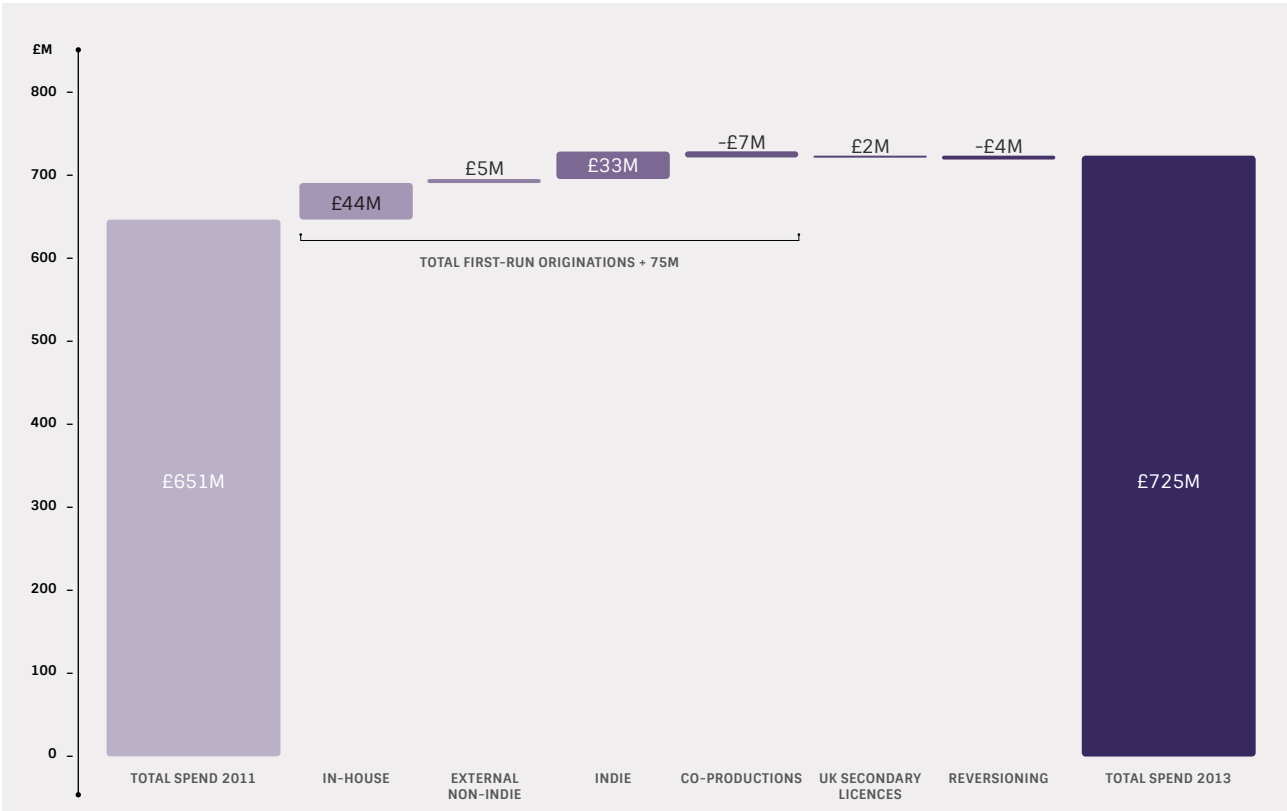
And investment in first run (i.e. new) UK production grew at an even higher rate of 7% CAGR.

Fig. 5: Investment in UK content by type 2011-2013



This equates to an increase of £75m in first-run originated content between 2011 and 2013.

Fig. 6: Change in UK content investment by type and source 2011-2013



CASE STUDY

LONDON ATTRACTS AMBITIOUS UK DRAMA: FORTITUDE AND CRITICAL

Sky's investment in original TV drama sees two of the UK's biggest productions in the genre shooting a stone's throw away from each other in west London.

Fortitude is being produced by UK independent producer Fifty Fathoms for Sky Atlantic, and will launch in 2015 starring Stanley Tucci, Michael Gambon, Christopher Eccleston, Sofie Gråbøl, and Richard Dormer. The ambitious drama, which is set in the Arctic, is shooting interiors in a warehouse space near Sky's west London headquarters that has been specifically converted into a studio for the production.

Close by, in another converted warehouse space, production started in February on Critical, a real-time medical drama commissioned from acclaimed

writer-director Jed Mercurio for Sky 1 and starring UK actor Lennie James. The series is made by another UK independent producer, Hat Trick Productions.

Unusually for UK dramas, both Fortitude and Critical are being produced in volume, respectively at 12 and 13 episodes of 60-minutes each.

The productions, which both used the new tax relief for high-end TV drama, are part of Sky's drive to produce original British drama.

“Investment in UK content from external producers grew 9.8% CAGR.”

Section

3

COMMISSIONING INDEPENDENT PRODUCERS



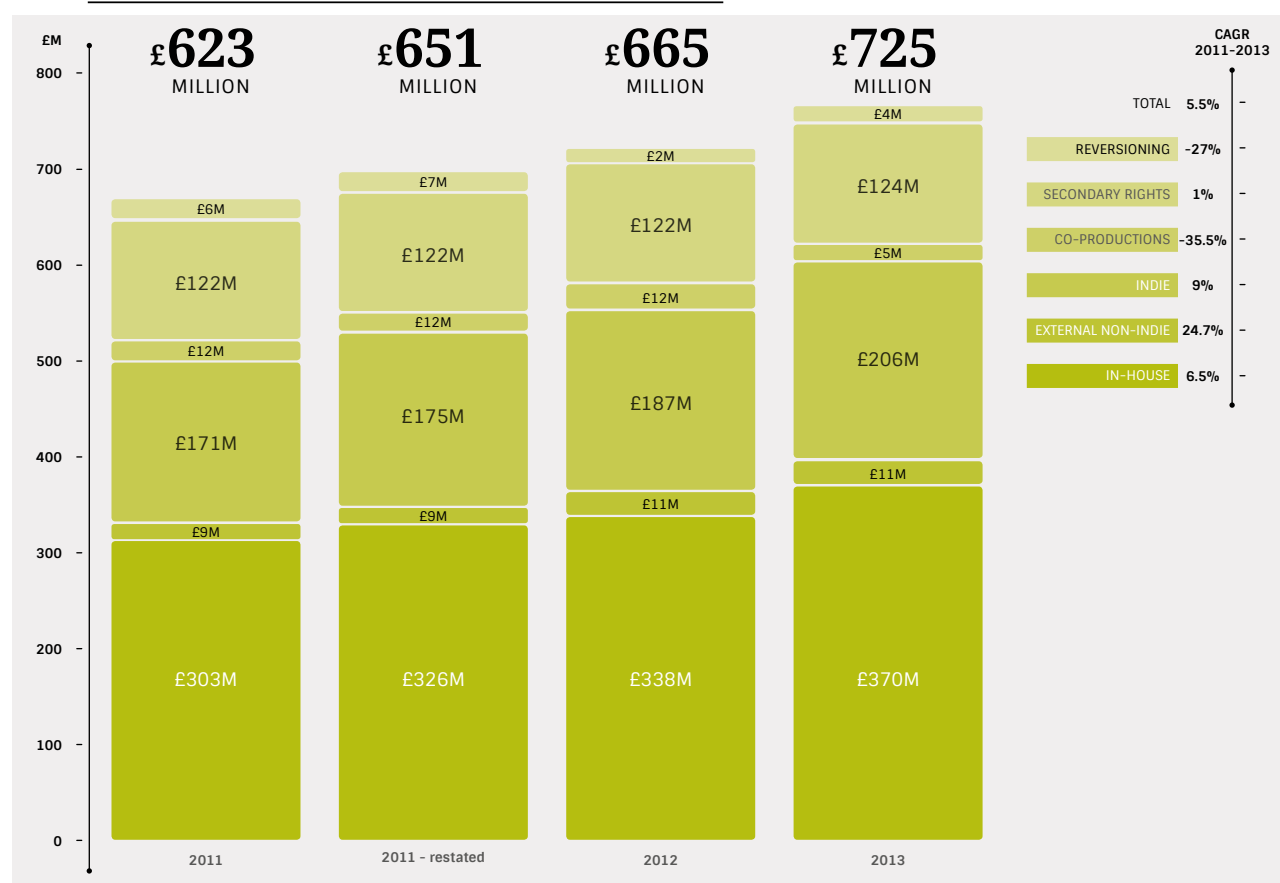
Man Up, produced by Betty for Fox

COMMISSIONING INDEPENDENT PRODUCERS

3.1 External investment is growing faster than in-house

The highest area of growth amongst COBA members was investment in UK content made by external producers, which has grown at 9.8% CAGR since 2011.

Fig. 7: Investment in UK content by source 2011-2013



Over a third of originated (i.e. UK) content investment goes towards supporting the independent production sector. Of that, more than two thirds is spent on smaller indies.

Fig. 8: Investment in UK originated content by source 2013⁹



CASE STUDY

INVESTING IN BRITISH ANIMATION: NINA NEEDS TO GO

Nina Needs To Go is an animated short form series aimed at preschoolers and created by ArthurCox founder Sarah Cox. Sarah set up the ArthurCox production company with fellow animator Sally Arthur in London in 2002, producing commercials, films and broadcast projects. The company relocated to Spike Island, an international centre for the development of contemporary art and design, in 2004. Spike Island is one of a number of creative hubs in the Bristol area. Bristol has proved popular as a creative centre due to the presence of the BBC Factual and Natural History units as a springboard,

established media companies such as Aardman Animations, the presence of local universities and good transport links to London and the rest of the UK.

The idea for the series was pitched to Disney and was optioned and developed with a writer and produced in Bristol by ArthurCox. It was premiered on Disney Junior in 2014 and is set to air in more than 150 countries.

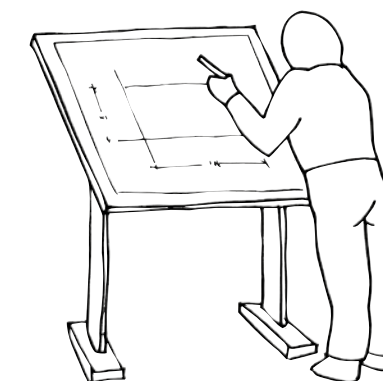
All creative skills were sourced locally, including the use of graduates from University of the West

of England. All of the storyboarding, animation, design and compositing took place at Spike Island studios and the music was composed by a Bristol based composer. The sound was designed by Wounded Buffalo and the picture finished at Films@59, both local post-production houses.

Sarah has previously collaborated with other creatives in the city, including

fellow Bristol animators Aardman Animations, on a number of projects.

The production made use of the new tax relief on TV animation production.



“Investment in UK news is up 2.8% a year.”

LONDON

Amanpour

CNN news studio, London



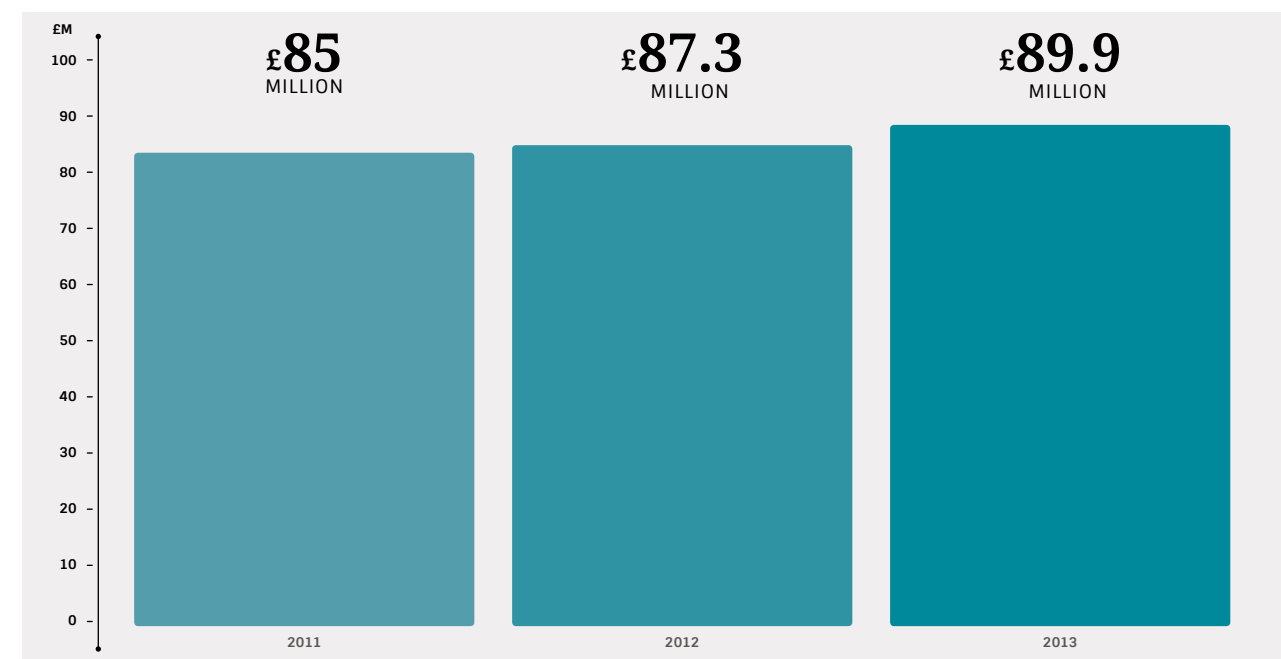
Section

4

INVESTMENT IN UK NEWS

Investment by multichannel broadcasters in UK news and current affairs production is worth almost £90 million per year and has increased at 2.8% per annum since 2011. Investment comes from multiple providers, including Sky News, CNN and CNBC.

Fig. 9: Multichannel investment in news 2011-2013



CASE STUDY

THE LONDON NEWS HUB: CNN

CNN has had an editorial base in London since the network launched in 1980. The London HQ is now the network's largest bureau outside of the US, and a major hub for newsgathering, programming, broadcasting and production, as well as being the base for CNN.com/international. CNN International is multi-award-winning and was named 'News Channel of the Year' by the Royal Television Society in 2013 and 2014.

Over 200 people are employed in the UK to work directly on CNN International output – an increase of 6% in the last five years. CNN's London newsroom has just been completely renovated with new sets, the latest HD technology, and state-of-the-art edit suites to allow for the increasing role it plays in CNN's global operation.

The London bureau is key to CNN's international

newsgathering, deploying correspondents and newsgathering on stories relevant to the UK and across Europe, Middle East and Africa. As part of the wider CNN team, London-based teams are deployed on major stories globally.

London broadcasts 20-plus hours of live CNN programming weekly, often more according to breaking news and scheduling changes.

The CNN International Commercial Group, established in 2013, is also based out of London, and handles all the commercial entities pertaining to the CNN brand internationally, including ad sales, business development, research, and partner solutions. In addition, CNN has a London-based team dedicated to working with affiliate news organisations across EMEA, and in the UK with ITN and other organisations.

“The new tax reliefs attracted production worth £447m in their first year.”

Nina Needs To Go,
produced by ArthurCox for Disney

5

THE ROLE OF THE NEW TV TAX RELIEFS

Programmes made by COBA members, PSBs and inward investment productions are benefitting from the new high-end TV and animation production tax reliefs. According to the BFI, for the first full year, they attracted £447m of production investment, with large scale productions based across the UK, including London, the English regions, Wales, Northern Ireland and Scotland.

Fig. 10: Value of production using the tax reliefs – first full year (2013-2014)



CASE STUDY

SUSTAINED INVESTMENT IN SCOTLAND: OUTLANDER

Filmed and set in Scotland, Outlander is an American TV series based on the bestselling novels by Diana Gabaldon about time-travelling couple Claire and James Fraser. It is a Sony Pictures Television (SPT) production commissioned by US cable network Starz and set to premiere in 2014.

The series is being produced by UK company Left Bank Pictures, part of SPT's production group. The production is being supported by investment from arts body Creative Scotland and has seen the former Isola plant in Cumbernauld near Glasgow undergo a conversion into a studio and production facility, leaving a studio legacy in the area when filming ends. Creative Scotland is also helping the producers to

identify locations for the series, such as Doune Castle, which previously featured in Monty Python and the Holy Grail.

The series will employ around 200 local crew and around 2,400 supporting artist roles cast from within the UK and Scotland. It will generate an estimated spend of £20m in Scotland. In addition it is expected to trigger increased tourism for the area due to the huge level of interest in the US in the series – dubbed Scotland's answer to the hit fantasy series Game of Thrones, which was shot in Northern Ireland.

The production made use of the new tax relief for high-end TV production.



Jonathan Phang's Gourmet Trains, produced by Transparent Television for Travel Channel

ABOUT THE AUTHORS

Oliver & Ohlbaum Associates Limited (O&O) is one of the leading independent strategy advisors to the European media industry, where they have unrivalled knowledge and expertise.

Established in 1995 and based in London, O&O has been an advisor to over 200 different clients on many of the major developments in the European television, radio, publishing, on-line and sports markets in the last twenty years. Their clients are the leading players in the media industry in Europe and globally, together with regulatory bodies, lawyers, banks and potential investors in media businesses. Typical assignments cover: policy and regulation, high-level corporate strategy, commercial exploitation and M&A advice as just some examples. They are recognised across the media sector for their in-depth expertise and the quality of their analysis.

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The information contained in the Report has been obtained from COBA members and third party sources that are clearly referenced in the appropriate sections of the Report. O&O has neither sought to corroborate this information nor to review its overall reasonableness. Any results from the analysis contained in the Report are reliant on the information available at the time of writing the Report and should not be relied upon in subsequent periods.

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