Film
i Väst

The Global Deluge Report

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Göteborg
Film Festival
In co-operation with

OLSBERG • SPI
cine regio
In association with

CONTENTS

1. FOREWORD BY FILM I VÄST

Over the past 10 years, digitisation has reshaped conditions for all aspects of film and television drama. We produce, distribute/circulate, display and consume content in a radically different way than in the past. Central roles are being redefined. In the video-on-demand (VOD) market there is an ongoing war for global and regional dominance, orchestrated by an increasing number of large, capital-intensive players. The supply of content and capital is increasing exponentially in key markets. Call it a tsunami, flood, or gold rush: how many years of such rapid expansion remain?

In line with the growth of production, a number of capacity challenges are arising. There is a lack of creative talent, line producers, crews, studios and other critical elements for driving the expansion and creating content at the required quality level.

Producing at volume may be a central strategy for content investors, but the audience's ability to consume content is of course limited and, for consumers, finding orientation in the deluge of content is challenging.

What are the power relations now and in the future? Who will emerge victorious from the streaming platforms' struggle for global and regional domination? How long will the current expansion of supply last? How are capacity problems best handled, and how are they solved in the short and the long term? How do current developments affect cinemas? What do we choose to see in cinema today and in the future?

In this new landscape, power relationships and roles are changing. The control and ownership of intellectual property (IP) in many cases looks distinctly different today than in the past. Is there a place now and in the future for a truly independent producer and independent production company? How will independent content be seen? And what happens to local content and style when a larger proportion of content is streamlined to fit in a global market?

For public film bodies such as Film i Väst, the new film and drama landscape creates opportunities and distinct challenges. Public funds for domestic films are primarily motivated by art and cultural policy arguments linked to maintaining film and drama production in the language of their own country or territory, with its own characteristics and identities and to ensure that this content is disseminated nationally and internationally. The European Union's communication in the field of film and the general State Aid exception refers to film as a cultural product, but is also linked to a clear European perspective.

The questions are many, the answers are complex. It is not black and white – or grey. For most players in this new world, it is important to get oriented and not get lost in the maze. Film i Väst and the Göteborg Film Festival are deepening our collaboration on the Nostradamus project. Through this, we will discuss the possibilities and challenges of the future in a number of annual seminars at film's most important meeting places. We will present pictures of the reality of our industry and the issues being posed. Together with you we seek the answers.

Tomas Eskilsson

Head of Strategy, Film i Väst

2. INTRODUCTION

There is currently an unprecedented level of activity in the production of film and television globally. Underpinned by voracious consumer demand and the uptake of connected devices and high-speed internet – a process which is very much ongoing worldwide – well over $100 billion of investment is flowing into content production and licensing annually from a variety of players. These include the global streaming services, with their investments joined by established studios and broadcasters who are upping their activity in order to compete.

The result is the global production deluge.

This is creating immediate and significant opportunities right across the global film and television sector for a variety of stakeholders. This includes governments, for which the screen sector is now a significant economic driver capable of outstripping traditional industries in economic impact.

For example, the latest data from the UK show that combined spend on film and high-end television production hit £3.6 billion in 2019, the highest ever reported and a 16% increase on 2018.[1] UK Government data show that the creative industries contributed £111.7 billion to the UK in 2018, equivalent to £306 million every day. The film and television sector was responsible for nearly 20% for the total.[2]

The importance of film and television as an economic driver is also underlined by data from the UK's Office of National Statistics, which showed that film and television helped stop the country going into recession for the period June to August 2019.[3]

Meanwhile, according to calculations by the UBS bank reported in the *Economist*, content spending by 16 companies in the US last year was roughly equal to the sum invested in America's oil industry in 2019.[4]

Clearly, opportunities are being created – although the deluge is also creating new challenges for all players as they adjust to this new landscape.

This document, from screen sector consultancy Olsberg•SPI, was commissioned by Film i Väst in co-operation with Göteborg Film Festival's Nostradamus project, and in association with Cine-Regio. It was presented during Drowning in Numbers – Or How To Stay Afloat In The Current Global Production Deluge – an event held on 22nd February 2020, during the Berlin film festival.

It provides a high-level overview of two key aspects of the deluge: evidence of its current scale, and the impact that the new landscape is having on the industry. Neither area is meant to be exhaustive, but rather provide a snapshot of the deluge and some of its known and emerging or potential effects at this point in time. The emphasis is predominantly on production, though of course all other areas of the value chain are being affected by this deluge.

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[1] *Film, high-end television and animation programmes production in the UK: full-year 2019*. BFI Research and Statistics Unit, 31st January 2020

[2] *UK's Creative Industries contributes almost £13 million to the UK economy every hour*. Department for Digital, Culture, Media & Sport and Nigel Adams MP, 6th February 2020

[3] *Film and TV boom pushes UK economy into black*. Broadcast, 11th October 2019

[4] *The future of entertainment*. The Economist, 14th November 2019

PART ONE

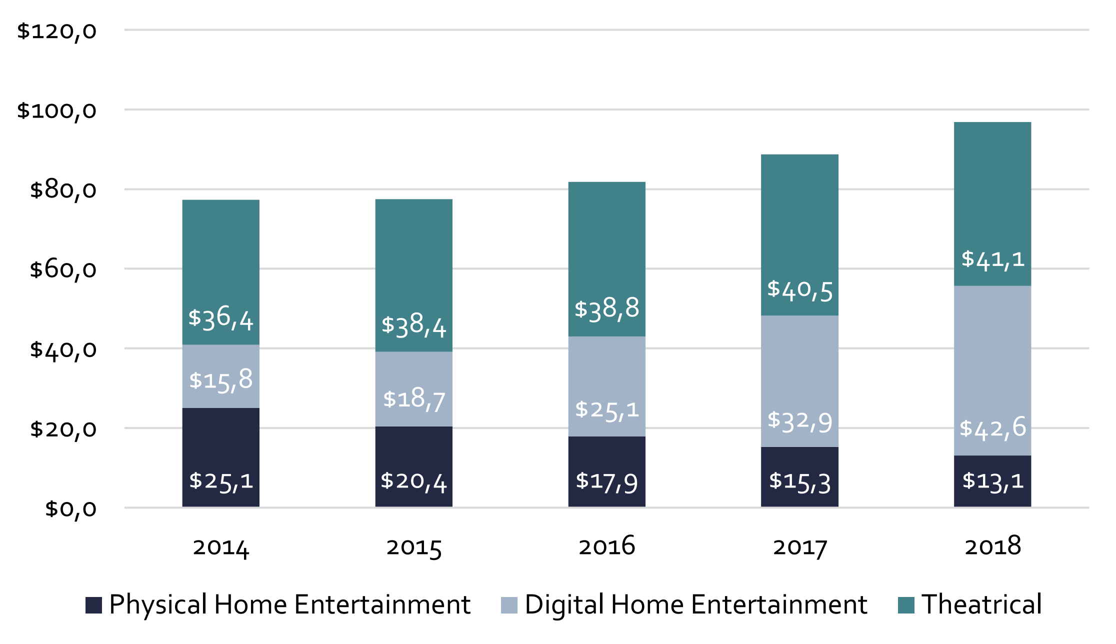
EVIDENCE

3. ABOUT THE GLOBAL PRODUCTION DELUGE

3.1. Key Drivers

The global production deluge is driven by a significant rise in consumer demand for content. In 2018, combined consumer spend globally for theatrical and home entertainment reached $96.8 billion, an increase of 9% from 2017 and a significant rise of 25% from 2014. Digital home entertainment is the primary driver of growth in this area, with an increase of 24% in the US and 34% internationally on digital spending between 2017 and 2018.

Figure 1: Global Theatrical and Home Entertainment Consumer Spending, 2014-18 ($billions)



Source: *THEME Report*, MPA

According to Nielsen data, content demand continues to increase, with 93% of video subscribers planning to maintain their current level or increase the number of streaming services. In total, 47% of consumers aged 18 to 34 have three or more services.[5]

Rising demand is of course underpinned by the growth and evolution of access to content in recent years. The rollout of connected devices able to stream and download high-quality video, and the emergence of low-cost platforms offering all-you-can eat access to films and series, have helped drive demand.

Against this backdrop, the emergence of streaming services as significant investors in content licensing and original production has brought billions of dollars of new spend into the industry, while traditional studios and broadcasters have also upped their spending to remain competitive. Indeed, the *Economist* reports that the global entertainment business has spent at least $650 billion on content licensing and production in the past five years.[6]

This level of investment is affecting all areas of the industry. It is also impacting at a global level – not least because the amount of content being produced, combined with rising production and above-the-line talent costs, have sharpened producer focus on shooting in the most financially beneficial jurisdictions. Also driving the global deluge are the localisation strategies

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[5] *Awash in Content, U.S. Consumers Remain Hungry to Stream More – Report*. Deadline, 11th February 2020
[6] *Who will win the media wars?* The Economist, 14th November 2019

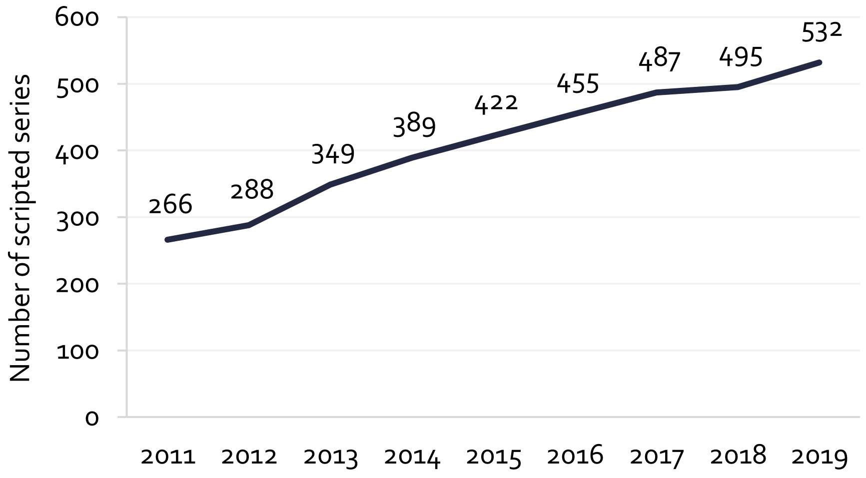
of some major producers, who are investing heavily in original local productions as a way of maintaining relevance to national or shared-language subscribers.

At the same time, governments are increasingly focused on the value generated by screen production, and its potential to drive economic development.[7] Resulting policy support measures – notably automatic production incentives – are playing a critical role in production attraction and capacity building, with all the related knock-on effects in other important areas, such as skills.

3.2. Production Growth

While production levels are increasing in all areas, the most dramatic growth in recent years has been – and continues to be – in scripted series. In 2019, 532 scripted original series were aimed at US audiences, exactly double the amount made in 2011.[8]

Figure 2: Estimated Number of Original Scripted Series, 2011-19



Source*: FX Networks Research. Excludes library, daytime dramas, one-episode specials, non-English-language/English-dubbed, children's programmes, and short-form content (<15 mins).*

Within this, online platforms have grown their share of series production and were, in 2018, the largest producers of scripted series. Netflix alone debuted 371 new original shows and films in 2019, a 55% increase over the previous year and more than the entire television industry did in 2005, according to *Variety*.[9]

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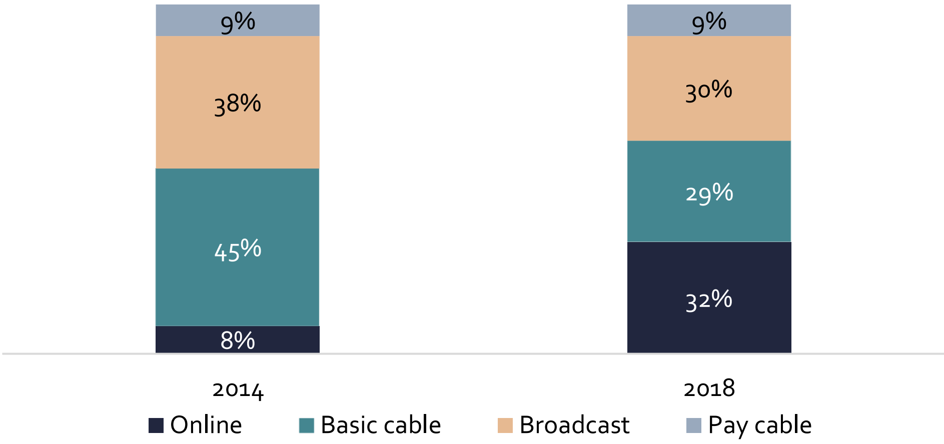
[7] *UK set to avoid recession despite poor August*. BBC News, 10th October 2019
[8] *Peak TV Update: Scripted Originals Top 500 in 2019, FX Says*. The Hollywood Reporter, 9th January 2020
[9] *Netflix Released More Originals in 2019 Than the Entire TV Industry Did in 2005*. Variety, 17th December 2019

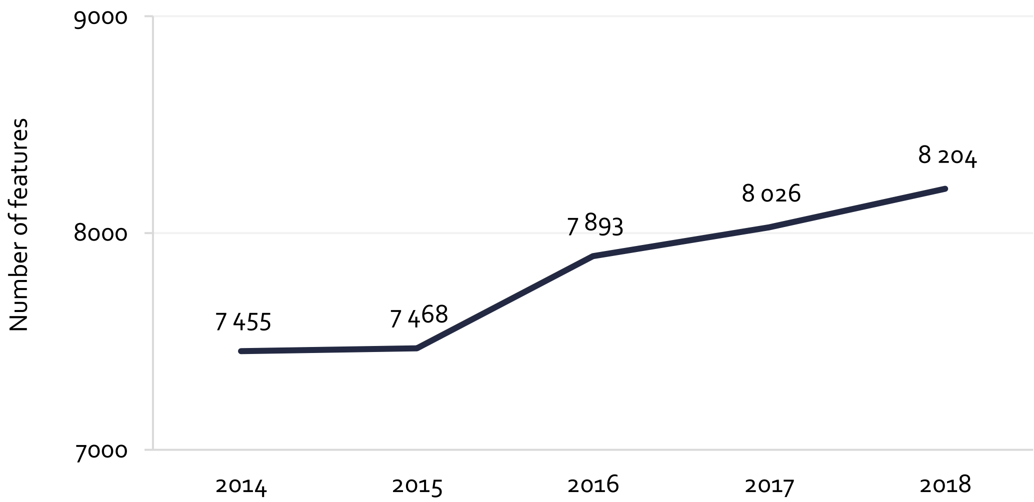
Figure 3: Number of Scripted Originals by Distribution, 2014-2018



Source: FX Networks

Growth is also seen in the volume of feature films produced worldwide, which increased by 10% between 2014 and 2018 (Figure 4). This growth primarily relates to strong increases in China and South Korea's film output, as well as sustained growth in the US.

Figure 4: Estimated Number of Feature Films Produced Worldwide, 2014-18



Source*: European Audiovisual Observatory*

3.3. Production Expenditure and Costs

As a result of these trends, production expenditure is currently at unprecedented levels: Ampere Analysis estimates that worldwide spending on non-sports content was $123 billion in 2018, a 29% increase from $95 billion in 2013. A further rise of 26% over the next five years is forecast.[10]

US majors, including streamers and studios, contribute a significant amount of the growth. BMO Capital Markets forecasts that Netflix will spend around $17 billion in 2020, rising to $26 billion by 2026.[11]

[10] *Ten drama trends to watch*. Ampere Analysis presentation at Göteborg Film Festival, January 2020
[11] *Netflix to spend $17bn on content in 2020: analyst*. ScreenDaily, 16th January 2020

Newcomers to the streaming space are also spending significant sums. Disney is reported to have allocated $500 million for original content for its new streaming service while Apple is estimated to have spent as much as $6 billion developing original programming for its own service.[12, 13] They will be joined by AT&T, which has said it will spend between $1.5 billion-$2 billion on HBO Max in 2020, and Comcast, which expects to spend around $2 billion on NBC's Peacock over its first two years.[14, 15] Quibi, set to launch in April 2020 has a reported content budget of $1 billion.[16]

Such growth does not only reflect increased production volumes, but also soaring episodic costs as producers mount ever-more ambitious and distinctive projects in a competitive market. Rising talent costs are another factor.

In October 2019, Netflix estimated the cost of a competitive show had increased 30% since 2018.[17, 18] According to *Variety*, average shoots for hour-long dramas has stretched from eight to 10 days, while *Game of Thrones*, for example, featured a final season battle scene that took 55 days to shoot.[19, 20]

3.4. Platform Growth

Streaming platforms have grown both in terms of the number of countries in which they operate, as well as in the volume of their subscribers. Outside of China, there are around 700 million global video-streaming subscribers.[21] Disney+, which at time of writing is currently only available in a small number of markets – the US, Canada, Australia, New Zealand, Netherlands and Puerto Rico – had 28.6 million subscribers in February 2020, around three months after launching.[22] It will launch in France, Germany, Italy, Spain, the UK and other European territories on 24th March 2020, in India on 29th March and further European territories such as Portugal and the Nordic territories to follow in the summer of 2020. At the end of 2019, Netflix reported that it had 167.1 million subscribers.[23]

As the volume and scale of Subscription Video-on-Demand (SVoD) platforms increases with the introduction of Disney+, Apple TV+ and other services, the number of subscriptions to online video services in 2018 surpassed cable television subscriptions for the first time.[24]

Such global services are also joined by a plethora of national or regional broadcaster-led or start-up streaming services, which are also investing in content as they bid to attract and retain subscribers. In Europe, these services include Viaplay, MUBI, Voyo and others. Some are

[12] *Netflix spent $12 billion on content in 2018. Analysts expect that to grow to $15 billion this year*. Variety, 18th January 2019

[13] *Apple is Spending $6 billion on original shows and trying to beat Disney+ to market, reports FT*. CNBC, 19th August 2019

[14] *AT&T to Spend Upwards of $2 Billion on HBO Max in 2020*. Variety, 28th October 2019

[15] *Comcast to Spend $2 Billion on NBCU's Peacock Streaming Service in First Two Years*. Variety, 9th December 2019

[16] *Inside Jeffrey Katzenberg's plan to spend up to $1b by 2025 on programming for Quibi*. Digiday, 10th December 2018

[17] *Disney Plus' Marvel TV shows will reportedly cost up to $25 million an episode. Here's how that compares to TV's most expensive series*. Business Insider, 16th October 2019

[18] *The lavish budgets of Disney and Apple's upcoming original TV shows make 'Game of Thrones' look frugal.* Business Insider, 23rd October 2019

[19] *'It's an Explosion': Inside the rising costs of making a scripted tv series*. Variety, 23rd October 2019

[20] *"Game of Thrones" just wrapped a 55-day shoot – for one enormous battle scene.* Quartz, 9th April 2018

[21] Netflix Earning Call Q2 2019

[22] *Disney+ already has 28.6M subscribers*. Techcrunch, 4th February 2020

[23] Company reports

[24] *2018 Theme Report*. MPAA, March 2019

investing heavily in content. Sweden's Viaplay, for example, has plans to increase its original production output from 20 to 40 originals a year.[25]

3.4.1. Localisation Strategy

Original scripted content is a key area of focus for SVoD services, which have shifted from operating as platforms entirely reliant on content licensing to commissioning powerhouses that spend the majority of their content budgets on original content. In addition to funding major productions aimed at worldwide audiences, services such as Netflix and Amazon are also producing content for local consumers. Director of European Amazon Originals, Georgia Brown, has said that "for Amazon what is important is to design Italian shows for Italian audiences and French shows for French audiences."[26]

This localised production focus is creating opportunities for markets around the world, many of which are now seeing the production of 'hybrid' projects. These use local above-the-line/creative talent, but tend to have budgets and production values closer to their US counterparts. Many are also popular outside of the market they were produced for – underlining a global demand for authentic, well-made storytelling – regardless of language. In the feature film sector, this trend is of course underlined by the break-out success of Bong Joon-Ho's *Parasite* – whose historic Oscar wins will further encourage this trend.

Quality localised productions are highly popular with consumers – and are therefore of key strategic value for platforms. Netflix has reported that local originals were among the most popular new titles of 2019 in eight markets. These included *Sacred Games 2* in India; *The Naked Director* in Japan; *Quicksand* in Sweden; *Kingdom* in South Korea; *Money Heist S3* in Spain; *Undercover* in the Netherlands; *The Stranded* in Thailand; and *Home for Christmas* in Norway.

3.4.2. Overview of the Global Theatrical Market

The deluge is also impacting the theatrical market, which has seen slow but continued growth in recent years – reaching $42.4 billion globally in 2019, an increase of 3% on 2018. The International box office – excluding North America – made US$31.1 billion in 2019, the first time it has ever exceeded US$30 billion.[27] Growth here is driven primarily by key markets such as China – where the government aims to develop the industry substantially so as to rival the US in size by 2035, although the domestic Chinese theatrical market remains very heavily regulated and is vulnerable to both fluctuations in Government policy and external interruptions such as the recent coronavirus outbreak.

In Europe, most territories saw a general increase on 2018's overall box office and admissions. France, Spain, Italy, Germany, Denmark and Finland all enjoyed a rise in fortunes at the box office. In admissions terms, France saw 213.3 million admissions in 2019 – an increase of 6% on 2018; Italy was up by 13% with 85.2 million tickets sold; and Germany reached 97.4 million by December which amounted to an admissions jump of 18%.[28, 29] However, some territories did see a decrease in admissions including Sweden, which was down 3%, and Norway, which decreased by 7%.

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[25] *Nordic Streamers Fight Netflix With Local Content. The Hollywood Reporter*, 19th November 2019
[26] *Amazon Studios unveils Italian slate, desire to work with diverse talent in the UK*. Screen Daily, 23rd January 2020
[27] *2019 worldwide box office hits $42.5B record; offshore too with $31B+: highlights from the international profit centre and what's ahead for 2020 – global studio chart*. Deadline, 10th January 2020
[28] Note: Data drawn from Screen Daily's National Box Office reports only examined first 11 months of the year.
[29] *German 2019 box office report: downward trend reversed but local films suffer*. Screen Daily, 18th December 2019

In terms of gross takings, Germany saw an increase in revenues of 14% at the box office; while the box office in Spain increased by 9% in 2019; and by 4% in Denmark.[30,31] Italy had an increase in overall revenues of 13% on 2018.[32]

In the UK, admissions and revenue were down by 0.5% and 2% respectively, though 2019 was the third consecutive year that the UK took more than $1.63 billion at the box office, and the UK box office has grown by 27% since 2010. [33,34]

While the general trend is positive, across Europe local market share was down in 2019. In part this was due to a particularly strong year for US blockbusters – Disney dominated the top 10 for most countries in Europe and internationally thanks to films such as *The Lion King*, *Avengers: Endgame* and *Frozen 2.* In part, this may also have been another side-effect of the success of localised content on streaming platforms.

In France, the US share of box office was 54%, an increase on 2018's 45%. In Italy, US films had a 67% share; In Demark the US took 60% of ticket sales; in Sweden it was 73% of tickets sold.[35]

Accordingly, local market share dropped in France, Germany, Italy, Finland, Norway, Sweden and Denmark. French market share was 35%, down from 39% in 2018; Germany's market share for admissions in 2018 was 25%, and it dropped to 17% in 2019; Italy's dropped from 22% in 2018 to 17% in 2019; Finland's market share of admissions was down to 17% in 2019, the lowest ratio since 2009's 15%. Sweden was down to 13% of the national market from 19% in 2018. Denmark was down to 26%, although the previous year's high watermark of 30% reflected a particularly strong year – and Danish market share for 2019 was still above the decade's average of 25%.

In the UK, the share for local independent films was up, rising to 13% in 2019 from 12% in 2018.[36]

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[30] *2019 worldwide box office hits $42.5B record; offshore too with $31B+: highlights from the international profit center and what's ahead for 2020 – global studio chart*. Deadline, 10th January 2020

[31] *Spanish 2019 box office report: Promotional weekend helps boost audiences*. Screen Daily, 20th December 2019

[32] *Italian 2019 box office report: a major breakthrough for summer releases*. Screen Daily, 19th December 2019

[33] *UK box office admissions fall slightly in 2019; blockbuster concerns for 2020*. Screen Daily, 16th January 2020

[34] *UK cinema admissions hold up in 2019 despite streaming boom*. Variety, 16th January 2020

[35] *Nordic Box Office: Tougher Time for Local Fare*. Variety, 31st January 2020

[36] *UK independent films score highest box office market share for five years.* Screen Daily, 30th January 2020

PART TWO

POTENTIAL IMPACTS AND DISCUSSION POINTS

4. AREAS OF IMPACT

The rise of production evidenced in the previous section is having major impacts right across the film and television sector. This section provides an overview of key areas to have been affected to date, and potential areas of future impact.

4.1. Capacity

One opportunity being created by the deluge is the potential for jurisdictions to capture increased production spend. However, increasing production flow is dependent on the ability to effectively service projects through a dedicated workforce and infrastructure. With significant global production levels, there is a shortage of both.

With so much production growth driven by series production and ever more elaborate feature films, the increase in volume can put sudden strains on local resources. Major films and scripted shows can have highly significant workforce needs – and the production cycles of episodic drama projects can be lengthy, and potentially multi-year.

4.1.1. Workforce and Above-The-Line Talent

There is increased demand for a skilled workforce on a global level, and across all grades. This includes technical and creative crew, as well as above-the-line talent and is evident in both emerging and established markets.

Against this backdrop, strategies for building up production capabilities rapidly are of key importance and some markets are focusing closely on aligning industry need with their skills pipeline. This includes communications making clear that production offers a varied number of career paths across many different roles and specialisations.

There is also potential for the industry to attract skilled workers from other sectors to move into production so that capacity expansion is not just occurring from the bottom-up. This is particularly relevant for roles, like production accountancy, which are in very high demand.

In a global market, mobility of labour is a key issue. This can benefit jurisdictions for which it is possible to attract skilled workers from adjacent markets. Conversely, for jurisdictions without a highly-developed sector or without an incentives offer, it can be a challenge to retain talent.

Ensuring diversity and equitable representation is also critical given the scale of the production opportunity. Indeed, the deluge can be seen as a significant opportunity to address historical lack of diversity since the need to develop skills rapidly provides a strategic opportunity for relevant agencies to ensure opportunities are open for all – and sufficiently connected to all.

The deluge appears to have broadened the global appetite for international stories: hitherto underserved demographic niches are being satisfied, and subtitled films and series are enjoying success beyond their language-based constituencies. This, in turn, provides strong opportunities for diverse stories.

One negative factor for workforce development is the depletion of the independent film sector in recent years.[37] Where this sector previously functioned as a strong talent escalator for above-the-line talent, difficulties in accessing market finance for projects means that production is challenged. This is seen in the UK, where expenditure on domestic independent films fell 44% to £144.5 million in 2019, down from £259.0 million in 2018.[38] However, some of those

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[37] This is evidenced in *The State of the UK Independent Film Sector*, a 2017 study for Pact by Olsberg•SPI. The depletion of national marketshare in some markets in 2019 is further evidence of this trend

[38] *Film, high-end television and animation programmes production in the UK: full-year 2019*. Ibid

independent producers are now benefitting from the explosion in the demand for high-end television productions and are working in that sphere.

Another relevant factor – which counterbalances some of the shift towards more diverse stories that is explained above – is the preference among certain new players to spend ever bigger sums on tried and tested talents and familiar formats and recognisable IP. This approach to de-risking investment has had an inflationary impact on the cost of top talent. The discovery – and nurturing – of new talents and voices becomes more challenging in such a landscape, particularly if those talents and ideas are of the quieter kind.

4.1.2. Infrastructure and Services

Increased global production volume has also increased the need for film-making infrastructure – particularly studios. This relates to the volume of projects being produced, but also to specific production trends including increased series production.

Studio provision is not expanding as rapidly as global production demand and top-tier studios in mature markets are operating at or near capacity. For example, Pinewood Studios reports strong stage utilisation levels at its UK studios of 94% in the 2018/19 financial year and 96% in 2017/18.[39]

Demand has been exacerbated by the upturn in major series production, which can require studio bases for many months – and even years. At the same time, the increase in budgets and scale at the top-end of feature production means that producers require sizeable and multiple sound stages with controllable environments.

Reflecting the lack of dedicated shooting space, many producers have opted to utilise and convert warehouses or other industrial buildings in markets where dedicated studios are not available.

Lack of studio provision has seen a trend of producers investing in long-term rentals or developments. Examples include Netflix's announcement in July 2019 that it would be establishing a long-term production hub in the UK with 14 sound stages, office space and workshops.[40] CBS Television Studios is also investing in a facility in Toronto.[41] Meanwhile, Disney has undertaken a long-term commitment at the UK's Pinewood Studios.[42]

4.2. The Role of Public Funding Systems

The deluge is also creating a conceptual shift for public film funders and support bodies, challenging the notion of how funders should be positioned and operate.

Public film funds have typically offered a range of selective funding lines, often with a focus on cultural independent feature films for a theatrical audience. Support is usually designed to sit alongside market finance from different sources – distributor presales, broadcaster licensing – with the public funding either first in to leverage market finance, or last in to close a gap.

This model is shifting rapidly due to the production deluge. The scale of investment from new players has coincided with a decline in traditional independent financing. This means that attractive projects can be fully funded. This has heightened the onus on public funders to get involved earlier in projects given competition for the best projects. Meanwhile, gaps for funding more challenging work or work from newer filmmakers have widened.

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[39] *Pinewood Group Limited Report as at and for the year to 31st March 2019*. Pinewood Group
[40] *Netflix creates UK production hub at Shepperton Studios*. Netflix press release, 3rd July 2019
[41] *CBS Unveils Plans for Toronto Production Studio*. The Hollywood Reporter, 26th September 2018
[42] *Pinewood enters into long-term contract with Disney*. Pinewood, 8th September 2019

For the latter projects, the onus is on film funds to think more strategically. In a straitened independent market, how can new talent be better supported? Film funds have strong market knowledge and networks, so the support that can be given beyond the finance has become just as important – and indeed some are providing this. Assistance in delivering projects, in logistical and quality terms, has also become more important.

With so much series production, many producers have pivoted into making longer-form episodic stories, which of course have different funding models and which, in some cases, do not require selective public funding.

In addition to series, there has been a widening of focus into other formats, including shorter-form programming, AR and VR, and video gaming.

One area of need is the circulation of projects. With theatrical markets ever more difficult for independent features, taking an active advisory role in determining which are the best routes to market is important.

Ultimately, there is increasing need for public funders to be proactive, strategic agencies rather than simply investment bodies to make up for gaps in market interest. Although there is still a need to provide such finance, there is now an opportunity for public funders to offer projects more than just finance, and to participate more enterprisingly in progressing projects.

Some countries, notably in Europe, have traditionally relied on levies or reinvestment obligations from broadcasters or pay-TV providers as a core source of funding to support production and other activities. In these countries, the decline in revenues earned by these traditional media companies has raised questions about the sustainability of public funding for production, distribution and other forms of support.

As a consequence, they have looked to reinvent the structures of support, notably in Europe through revisions to the European Union's Audiovisual Media Services Directive (AVMSD) which allow, for the first time, levies and reinvestment obligations to be imposed on services that are targeting a given territory even if the service is based outside that Member State.

The revised AVMSD also introduces a minimum 30% quota for European works on VoD services. The European Commission is expecting to publish draft guidance on how this quota should be measured – by titles or by hours – in March 2020. In Europe, the responsibility for measuring adherence to the quota will fall on the regulator in the Member State where the service has its country of origin. Alongside the quota, VoD services will also be expected to ensure that these European works have due prominence on their services. The transposition of AVMSD across all EU Member States is due by 19th September 2020.[43]

The growth of international production is also creating a strategic need for agencies and funds to try and balance the servicing of inward investment and the nurturing of national sectors. Supporting the local sector is critical for developing talent – including those that will be relevant for incoming international films.

4.3. Understanding and Communicating Sectoral Value

While these developments are creating fast-moving opportunities for the film and television sector, there is a concurrent need for jurisdictions to move quickly on policy and strategy to improve the production landscape.

This creates the need for industry to effectively communicate to government and other public stakeholders so that policy can be developed nimbly to best build growth in a rapidly shifting

[43] The UK must also transpose the Directive by that date as it falls within Implementation Period which follows the UK ceasing to be an EU Member State

market. Typically, communication of value is based on the analysis of economic impact, but there are a host of other significant benefits that should be a key part of this communication. Storytelling not only serves as a training apparatus for all manner of transferable skills in this digital world, it is also a potent source of local pride, self-expression, communal identity, empathy-building, consciousness-raising, cross-cultural understanding, and so on.

In some markets, communication with the public, local businesses and residents is also becoming more important so that, for example, the impact of filming – such as road closures or increased traffic caused by production vehicles on the streets – is understood in terms of value created rather than inconvenience caused.

4.4. Incentives Growth and Strategic Implementation

Global production levels are creating a worldwide opportunity for servicing production and governments are increasingly aware of the economic and strategic impacts that can be gained by attracting such production. This has led to an increase in incentives, as well as regulatory and other policy interventions. Some countries that operate incentives are also focused on re-engineering or modernising their incentives to make them more competitive.

However, incentives are not the only factor in building production flow. Given the global lack of dedicated studios and workforce, there is also increasing focus on how to leverage incentives to help create development in these areas.

The deluge is also posing a challenge for the development and administration of schemes. The dynamic nature of production means that improvement and amendments in areas of poor function must occur quickly; but it is an urgent necessity that can just as quickly get bogged down in onerous legislative processes and political cycles.

4.5. Importance of Balance Between International and Local Strategy

For countries interested in building the value of the screen sectors, ensuring a balance between international and local sectors is vital to the success of each. This is because talent and facilities developed by the local sector can be utilised by inward projects – which in turn develops capacity and skills that can be utilised by other local productions.

4.6. Quantity and Quality

With an increase in production levels comes the associated risk of over-production. As addressed in section one, Netflix debuted more original shows and films in 2019 than the entire television industry did in 2005. As new streaming platforms launch and also focus on developing original content for their audiences, concerns that audiences will become fatigued by the myriad choices on offer grow. Given this, there are questions in some quarters about the sustainability of the current rates of growth in production.

The need for speed in the deluge introduces a new set of quality challenges. If producers accelerate their due diligence, there is an inherent risk of film productions being greenlit and drama pilots going to series before they are truly developed creatively or thoroughly considered from a logistical and production management standpoint.

4.7. Future of Local and Niche Platforms

As SVoD players focus on voracious global growth, one key question is where local platforms fit. Which opportunities will remain for nimble national, or regional services?

As the push for global growth continues, the stage seems set for a "winner takes most" scenario in which the global SVoD platforms continue to take the lion's share of a market, leaving the remainder to be divided up by a differing set of niche players in each market who understand their local nuances at a cost/business model that allows them to make a sustainable profit.

4.8. 'Responsible' Production

With so much film and television being produced, and in so many locations around the world, a critical question revolves around the strategies that need to be put in place in order to offset the environmental impacts of all this activity – and who should take the lead in those mitigation efforts. Film and television productions can create a large carbon footprint – not to mention potentially opening the doors to international screen tourists seeking to replicate their favourite scenes on social media.

The deluge raises questions about responsible production, from the environmental impact of flying cast, crew and gear internationally, location shooting, building sets and catering productions to other considerations around diversity and representation. There have been a number of discussions about how to instil film and television production with more responsible and sustainable practices in recent years, but a key consideration may involve incentives and funding.

There is potential to add sustainability into the calculus that links infrastructure and funding access. Energy usage and waste disposal should be among the considerations in infrastructure investments; while incentive operators could consider how applicants can be encouraged – or required – to lessen the environmental impact of production.

5. APPENDIX ONE: ABOUT FILM I VÄST

Film i Väst is one of Europe's most successful co-producers and Scandinavia's preeminent film fund. Since 1992 we have co-produced more than 1,000 feature films, television dramas, shorts and documentaries. Over the years, Film i Väst co-productions have also been richly rewarded with nominations and prizes at the world's most prestigious events, including festivals such as Cannes and Berlin, and galas such as the European Film Awards, the Golden Globes and the Oscars.

Film i Väst is a regional film fund located in West Sweden, wholly owned by Västra Götalandsregionen (The County of West Sweden), with the goal to establish West Sweden as the foremost film production region in northern Europe. The headquarters are located in Trollhättan, 70km from West Sweden's largest city, Göteborg.

During the past 25 years, West Sweden has established a high international standard in terms of the crew, facilities and services available for film production in the region. All elements necessary for film and television production can be found in West Sweden, from equipment rental, a final mix studio and award winning sound and VFX companies, to more than 450 qualified film crew workers. In addition to West Sweden's diverse locations, there is also Studio Fares in Trollhättan, the largest purpose-built soundstage in Scandinavia.

6. APPENDIX TWO: ABOUT OLSBERG•SPI

SPI provides a range of expert consultancy and strategic advisory services to public and private sector clients, specialising in the worlds of film, television, video games and digital media. Formed in 1992, it has become one of the leading international consultancies in these dynamic creative screen industries. With its trusted insight and track record the firm has a diverse client base that includes:

- Multi-national public authorities
- National governments, including culture and economics ministries
- National film institutes and screen agencies
- Regional and city development agencies and local authorities
- National and regional tourism agencies
- Studios and facilities companies
- Independent companies at all points of the screen business value chain
- National and international broadcasters
- Trade associations and guilds
- Training and skills development organisations
- Publishers and conference organisers

Olsberg•SPI has expertise in all areas of the fast-moving global creative sectors, and the firm's services span:

- Strategy and policy development for the creation and management of healthy and sustainable national and regional screen sectors
- Advising on the creation and implementation of fiscal incentives for the screen industries
- Research projects on all aspects of the value chain – including mapping and economic impact studies
- Business development for content companies
- Strategic development of studio facilities, including business planning and feasibility studies
- Acquisition and divestment advice for owners of SMEs
- Evaluations of publicly funded investment schemes
- Creating prospectus-style funding proposals
- International cost comparisons for film and television productions
- Advising on inward investment and exports for national and regional public bodies
- Identifying and measuring the cultural value of a productive screen sector
- Analysing workforce skills, diversity and related best practice strategies
- Assessing the value of tourism generated by a nation or region's film and television output and developing strategies to maximise future impacts
- Providing strategic advice for screen commissions, including business and marketing plans

Clients for these services have included:

- Australian Film, Television and Radio School
- Australian Screen Association
- Barcelona Culture Institute
- BBC Worldwide
- The Bottle Yard Studios (Bristol)
- The British Film Commission
- The British Film Institute

- Canada Media Fund
- The Canadian Media Production Association
- The Commercial Broadcasters Association (London)
- The Council of Europe
- Creative England
- Creative Scotland
- Department of Culture, Heritage and the Gaeltacht (Dublin)
- Directors UK
- Doha Film Institute
- Emerging Pictures (New York)
- The European Audiovisual Observatory
- The Eurimages Fund (Strasbourg)
- Film i Väst (Göteborg)
- The Government of Hong Kong SAR
- Greek Film Centre
- Ingenious Media (London)
- Instituto do Cinema e do Audiovisual (Lisbon)
- Irish Film Board
- Mauritius Board of Investment
- MG ALBA (Scotland)
- The MEDIA Programme of the European Union
- Ministry of Cultural Heritage and Activities (Italy)
- Motion Picture Association of America
- The NEC (Birmingham)
- The New Zealand Film Commission
- North Star Film Alliance (Estonia, Finland and Latvia)
- The Norwegian Film Institute
- Pinewood Group
- Polish Audiovisual Centre Foundation
- Prime Studios (Leeds)
- Producers Alliance for Cinema and Television (London)
- Sarajevo Film Festival
- Screen Australia
- Screenwest (Perth)
- Screen Yorkshire
- Sigma Films
- Tourism NI (Belfast)
- Trinidad and Tobago Film Company (FilmTT)
- Ukie