



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

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PUBLIC ACCOUNTS COMMITTEE

MEDIA DEVELOPMENT FUND

HANSARD

Douglas, Wednesday, 26th February 2020

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Members Present:

Chairman: Mrs C L Barber MHK
Mrs C A Corlett MHK
Mrs K A Lord-Brennan MLC

Clerk:
Mrs J Corkish

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Standing Committee of Tynwald on Public Accounts

Media Development Fund

*The Committee sat in public at 12.06 p.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MRS BARBER *in the Chair*]

Procedural

The Chairman (Mrs Barber): Good afternoon and welcome to this meeting of the Public Accounts Committee. I am Clare Barber MHK and I am chairing the Committee for this Inquiry. With me are Mrs Ann Corlett MHK and Mrs Kate Lord-Brennan MLC.

If we could all ensure that our mobile phones are either on silent, or off, that will help with not having any interruptions; and for the purposes of *Hansard*, I will be ensuring we do not have two people speaking at once.

This is the seventh public evidence session in the Public Accounts Committee Inquiry into the Media Development Fund. The focus of the session today is the present day. Dr Arning and Mr Wilson, via video link, are joining us, welcome. Today we would like to talk to you about your experience of working in media and the work of Isle of Media.

EVIDENCE OF Dr Richard Arning, Chairman and Mr Michael Wilson, CEO, Isle of Media

Q354. The Chairman: I wonder if you could begin by introducing yourselves and telling us a little about your industry background and experience. Do you want to go first, Dr Arning?

Dr Arning: Thank you, Chairman, and Hon. Members of this Committee.

My name is Richard Arning; I am a Director and Chairman of the Isle of Media Ltd, which is a not-for-profit organisation to grow the incumbent and new media sector on the Island. I am also Director of SES Satellite Leasing, which is a world-leading satellite operator and ... *[Inaudible]* broadcasting.

I am a professional engineer, I grew up in technology and aerospace, which brought me into the technology part of broadcasting and media processing and ... Maybe, most importantly, with regard to my previous experience, I worked with governments across the globe, with government funding programmes and how to structure government funding programmes on the national level in Europe, in Singapore and in other parts of the world. I analysed funding schemes in India. We worked with regional programmes in France. I did work on a DVD with the Bavarian Science Foundation, at a pan-European level in Brussels with the European Space

Agency; and with as many types and models of government supporting financially in various types of schemes, in training schemes and training the trainers.

We formed joint ventures with the government of Wales and the government of Spain, so I think we bring some background there with regard to looking at how government collectively supported the economy.

Q355. The Chairman: Thank you.
And Mr Wilson?

Mr Wilson: Yes. Can I thank the Committee for the hearing. I think it is very important for the sector that the current status is reflected in the report.

My background is 30 years in the media sector. I started as a newsroom journalist, I moved on to newsroom management and then channel management, including ... both channel and programme launches, so I am fairly aware of both the economics and the practicalities for media start-ups.

I spent 10 years in regional ITV, then 10 years in Sky television; then I was Managing Director of one of the last remaining independent ITV regions in Northern Ireland for a decade to 12 years, including expanding that from a single analogue platform into 12 digital platforms, including HD and apps and mobile and everything you have to do in the media world these days. I was responsible for about a thousand hours a year of live and commissioned content.

Now, as well as CEO of Isle of Media, I am also a media consultant and worked with a number of international media brands in developing their businesses, their assets and their content.

Q356. The Chairman: Thank you very much.

I wonder, just to start, if perhaps you could tell us a little bit more about Isle of Media? You have touched on there about the not-for-profit aspect and the aim of growing the media sector on the Island, but why and how it was established, and the work that it has been doing?

Dr Arning: Yes, thanks for this opportunity and we appreciate really, let's say, the forward-looking focus of today's session.

Isle of Media was created by the private sector, not by Government, and we publicly launched after initial discussions involving Government, in autumn, late summer of 2016, as a not yet legally incorporated initiative. We launched on the world's largest international broadcast convention with some talks, and then we kicked it off on the Island with an event inviting more than 100 people attending from the incumbent media industry, and from the other sectors like finance and legal on the Isle of Man, as well as external speakers. That momentum grew and we legally incorporated the company, Isle of Media Limited, at the beginning of March 2017, comprising a couple of individuals and media companies as shareholders and guaranty members.

We got a real boost as an initiative with, thankfully, Minister Skelly, attracting after many years, I think more than two decades, the Celtic Media Festival first time to the Isle of Man, where suddenly we found ourselves in the focus of largely the television as well as the radio industry, with all the incumbent players from the public broadcasting and the private broadcasting side being the guests of this Island. So this was basically the process of kicking it off, and I think we will come later on to defining the strategy.

We are, as we say, not-for-profit which means by the definition of our articles we cannot take out any dividends so it is a *pro bono* type of an engagement of many private individuals and private corporations.

We had first been funded exclusively by industry, when we kicked off. It took quite some time to convince Government to look at this as it represented a clear U-turn from the former film location type of strategy to attract foreign shootings to the Manx shores, to a sustainable on-Island industry and growth in the media sector. Today we are a private/public partnership

with Government being formally expressed by us having been asked by the Digital Agency to
nominate a board member to the Digital Agency, which is currently my function. That is where
80 we are structurally.

Q357. The Chairman: Thank you.

Do you have anything to add to that? No.

So can you share some examples perhaps of the successes you have had through Isle of
85 Media since you have been established?

Dr Arning: Let me pull out a few numbers: we provided in the second submission some tables
for reference with a couple of company names, basically hinting of the growth we have
experienced in the last three years. Measuring success in terms of KPIs, qualified and quantified
90 is expressed in various different terms. First we think about jobs and taking last year, 2019, I
think which was a real breakthrough with a couple of new companies being formed or becoming
operative until being formed in 2018. We got a couple of new companies and we counted as
reported to us by private industry a net growth of 30 full-time equivalents being employed,
which to our knowledge represents the fastest-growing sector as attached formally to the Digital
95 Agency's remit.

Private investment as a second KPI, although not agreed formally with our former contract
with the Digital Agency. But we think it is important, it represents a private, tangible investment.
We had been reported roughly £1.6 million of private investment secured last year only with
roughly or above £700,000 being actually invested out of private pockets of £900,000 committed
100 to various enterprises.

The third KPI, if you look on the structure, we are targeting to build a full supply chain in
media but with certain genre-focused areas. If you compare the charts provided when we
started in 2017 you see basically a couple of layers empty, gaps in the media supply chain, which
is that we had almost nothing in animation. We had a little bit of animation distribution and we
105 had one company we recognised but compared to today we basically have a sub-cluster genre
focus clearly built up in the last two years, I would say, with a couple of VXF – virtual reality and
animation companies – both in production and post-production.

We now have our first dedicated post-production player, one of the largest independent
players in the UK, which has for many years represented three studio facilities in the UK, in
Manchester and Southport Media City; and now having opened a fourth branch on the Isle of
Man. You will have seen the press release of a BBC CBeebies-commissioned series, which will
actually air in the next week. We have filled the supply chain on the side of video technology and
delivery business, of which we had nothing a few years ago, with a couple of players there on
the techy side of things; which brings us to the synergies with the other sectors in terms of
115 technologies as well as we have creation and content production with synergies, with the e-
gaming sector there.

Other successes have been signed partnerships relating to the investments reported with
private investors or representatives of private investment companies, with a couple of formally
signed agreements just last year. We try to keep the public transparently informed, if you
120 especially look at our social media feeds.

Other KPIs, achievements we have triggered: we have initiated the launch of the Royal
Television Society Centre Isle of Man, which is an educational charity, which represents the
associations of our sector in the British Isles and the Republic of Ireland. So now to raise our
profile within that industry we have a known centre giving us access to their marketing
125 initiatives, with Cinemagic which is maybe the world's largest, at least it is one of the largest,
educational charities for the film sector, represented by one of our advisers. We have access –
not yet tapped in – to their scheme which is basically focusing on children from underprivileged
backgrounds, bringing them in context with film. So we have one charity for film and one charity

130 for television broadcast and video. We have raised I think, rebuilt almost we hope, at least starting, the former brand of the Island in film in the wider media sector.

We are not going to the Cannes Film Festival; we are going to the trade shows for video, television and film.

135 Looking at the social media followership, you might think this is larger than the followership of the Finance Agency, the Digital Agency and the Business Agency altogether, with international accounts, and they are quite professional accounts with we think 80%-plus following us. So we effectively can communicate with our industry on a European or even a global scale.

So that gives you a few insights in terms of numbers, but maybe my colleague, Michael Wilson, wants to bring some concrete –

140 **Mr Wilson:** Yes, I will come in there, thank you, Richard.

I think one of the things for the Committee that we can point out, is unlike the previous film funding structures which you are looking at, Isle of Media has no funding itself to distribute to third parties. Our main aim is to market the Island, and Richard has already flagged up the social media impact we have, which should not be underestimated. We far outstrip many of the
145 Government agencies on the Island in terms of the reach and the engagement, which is perhaps more important than reach.

But we also have a significant marketing role when it comes to events off-Island. It is one of the reasons I am not with you today, I am not based on the Island, and I was hired not to be based on the Island. The idea is I travel to key media centres and try and engage the audience
150 off Island and get them to understand the offering and the proposition that the Isle of Man has.

So, a simple example would be last week there was a short film being shot on the Island. It was partially funded by the Arts Council, and that film would not have come to the Isle of Man if it had not been for a marketing event we held in London, the connection was made there and it directly brought that film to the Island. And while the economic benefit to be frank is negligible,
155 because it is a low-budget film, the ability for people to get skills and training on that shoot should not be underestimated. The feedback I have had from a number of those who participated described as one of the best experiences they have had.

The lack of production on the Island since the end of film funding I think is a real shame. It means that the skills that the Island should have in some ways have gone into reverse. We have
160 not kept up with industry trends in terms of the skill-base on the Island.

Richard said we do not go to the Cannes Film Festival, and that is absolutely correct; but we go to one of the international media television markets in Cannes and every one of those has also brought back leads and engaged interest in the Island as a base. I think what has happened is there was the old world of film where there was a very high knowledge of what the Isle of
165 Man had to offer and then, once the funding of film stopped, actually the Island has not had a formal strategy or a formal offering. Isle of Media has tried with its strategy, it was first published in 2017, and also with its marketing strategy we have tried to show what the Island can offer for film makers and, more importantly, businesses and companies who want to base on the Island.

170 Again, Richard pointed out that our key KPI for the last 12 months since the start of the Digital Agency, was jobs created. You can argue on the metric how you add it up, but somewhere between 20 and 25 jobs were created last year on the Island. The majority of those were without any funding from the Government, and most of it is because of the work of Isle of Media in bringing businesses to the Island or showing an interest in the Island, or helping
175 indigenous businesses on the Island grow.

Q358. The Chairman: So, just thinking when you are doing that measuring, as you said, sometimes maybe the challenge is differentiating who was engaged and who was involved in actually the creation of those jobs and either working with the companies who were already
180 here, as you say, or bringing people over from other jurisdictions.

I wonder if you can comment further on how you see that being worked out.

Mr Wilson: I think it is absolutely true and if I was to speak without any hat on, I do not think it matters. I think a job on the Island is success for the Island and what is the phrase about success has many mothers, etc.?
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It is true that, if you like, the wide end of the funnel for the last three years has been Isle of Media. There has been minimum Government marketing, indeed if any, since the dawn of the Digital Agency there has been a high staff turnover. I think the Agency in its own evidence admitted that the knowledge base of the media sector was not high within the Agency and many of those responsibilities have fallen to Isle of Media.
190

So through the four hands-on members of the team – Leanne, David, myself and Richard – we have gone to events, we have done marketing, we have created video and social media promotion. And again, because we do not give out any financial incentives ourselves, jobs like the jobs that have come from the post-production business, Flix, that has come as a grant from the EDL, but many of them have been created as a grant from the EDS. We ourselves cannot grant money, so therefore the EDS has to take credit for those jobs, although the landing of the business in the first place, you could argue who was most responsible for.
195

The Chairman: Thank you.
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Q359. Mrs Lord-Brennan: Just really to build on the point the Chair was making, if we can get back, Dr Arning, to the 30 full-time equivalent jobs. I am conscious that where there are maybe overlapping marketing and promotional initiatives, as well as other indeed Government activities, the 30 full-time equivalent jobs, is that a figure that has come from the Digital Agency or is that something that is of your estimation? I am conscious that it could be ripe for double counting.
205

Dr Arning: No, to clarify on the figure: the figure is our accounting as we systematically, almost every year, approach incumbent companies, and we are asking what, in terms of full-time equivalents, is the net job growth – not a new position, but the net job growth per company. So we cannot guarantee that the figures we have been provided are all correct; we get them to slightly different points in time.
210

There is no overlapping in that sense, but sometimes a company is on the rise to go and develop from the marketing agency to a video game developer. So they have already a couple of people as staff but how many do you count them in? Do you count the full company? You have FTEs who are maybe there for nine months but not for the full year. So it is the best and most accurate estimate we can provide; but this estimation was made by us.
215

Mrs Lord-Brennan: Okay.
220

Mr Wilson: If I may, you were asking about double counting: in our figure of somewhere between 20 and 25 we can identify each of the heads. So there is no double counting within that figure.

Q360. Mrs Lord-Brennan: Okay, they are Isle of Media's figures, so they are for existing companies that you have assisted – ?
225

Dr Arning: As well as incumbent companies. We provided a report to go to Treasury with a dedicated list. We do not want to name individual companies of course by name in this session here, but they had been distinguished and differentiated in terms of new companies which had been recently set up and growing; as well as a few incumbent companies having increased their headcount. So it is both.
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235 **Q361. Mrs Lord-Brennan:** If I can just ask a little bit about the impact of the reach and engagements that you have talked about there? How much awareness and impact on the ground in the Isle of Man do you think Isle of Media has?

240 **Dr Arning:** I do not think enough, is the frank answer. I think we wish we should have more. We are set up especially to attract off-Island, new companies and this marketing naturally has to happen off Island. So the marketing focus is off Island. And by this probably we are lacking a little bit of information, not marketing the information on Island of what we are standing for and what has been achieved.

245 **Mr Wilson:** I think that is true but I think it is also – and I am going to underline Richard’s point. We were set up to market off Island and it is only recently that there has been a view that we should help the indigenous sector grow. The indigenous sector is not big – actually I think we have personal relationships with almost every part of the sector. I have visited countless members of that community. I have taken some of them to international broadcasters to show their wares. I have spent time with others trying to develop their business plans. We have worked with them at all of our off-Island events to give them an opportunity to showcase what they do. Just, for example, the kind of events where Greenlight International go to try and get extra distribution for their motorsports content, they come along to our events and we introduce them to various channels and producers.

255 So while we do not actively market on Island, in some ways it is a waste of effort to market on Island because it is such a small community we know them on first name terms anyway! They all have my mobile number and Richard’s! So that is the way we operate on Island.

We probably need to have better political engagement. I think that the political Members do not necessarily know what we do to the level that they should do.

260 We have had an information campaign; we had an on-Island media sector conference last year where a number of the Treasury Committee were there and that was useful for them to understand the sector. We can always do more but with four people, it is working out where the best use of resources is. And my view as CEO is the best use of resources is to aim for job creation off Island as opposed to work with the businesses which are on Island, who are established and know their business better than we do anyway.

265 **Q362. Mrs Lord-Brennan:** Okay, and just as a bit more on the promotion off Island, Mr Wilson.

Are you involved in promoting any other jurisdictions?

270 **Mr Wilson:** Personally, no.

I know what other jurisdictions do, because I need to know the market we operate in. When I was based in Belfast it was the time when Northern Ireland Screen were working hard to build the sector there. Long before *Game of Thrones*, I saw where Northern Ireland started.

But personally involved in representing other sectors? No.

275 **Q363. The Chairman:** And just before we look to the detail of the future, I wonder if I can just pick up on something you touched on there, Dr Arning, around the past? There is obviously this perception around where the past lay and that focus very much on films, film locations, etc.

280 I just wonder whether there was a perception that you have come across whether doing business in the Isle of Man might be somehow not such an opportunity, because of that political perception and that political scrutiny over the Media Development Fund?

Dr Arning: Shall I answer it?

Yes. We have come across some recent irritations. And without any intention from the Hon. Members of this Committee, or Miss Costain, or whomsoever, completely unintended, the

285 Committee has this year created irritations with some of our clients – I think we can clarify that.
But I think it also led more importantly to, we think, an overcautious type of scaling back from
Government and the Digital Agency with regard to any active support, contributions and
marketing.

290 They are reactive; they are helpful; but if you withdraw from the active part of the sector I
think this is a severe thing which we would like to review.

Q364. The Chairman: Do you have anything additional to add on that, Mr Wilson?

Mr Wilson: I would say that Richard is a far greater diplomat than I am. (*Laughter*)

295 I think that the legacy or the *perceived* legacy of the investments in film has, both on Island
and off Island, caused significant damage to the media sector. And if I may clearly say to the
Committee – and I cannot look you in the eye via video link – but I do hope your report, whether
it is positive or negative makes a very clear recommendation for the way forward; either, quite
frankly, ‘Do not invest in the media sector, it is a place we don’t have the experience in and it is
300 somewhere we don’t want to be’. Or, I would hope, ‘Okay, the rest of the world is looking very
closely at the media sector. We need a clear strategy. We need a clear long-term financial
commitment and we need clear targets of where to go’.

I cannot bring it up because I have got a video screen on my computer, but one of the
incumbent members of the media sector said to me, when we knew we were appearing today,
305 ‘The one thing that Isle of Media has brought to the Isle of Man’ – and they called it
‘Government circles’, but we are of course not Government – ‘is experience’. And they said the
lack of experience traditionally in the Government has been shocking and weighed down the
sector and restricted growth.

So, yes, I think on Island the political class are waiting for your report before they show their
colours in this sector; and off Island from major broadcasters to producers, some of them have
310 said to me, ‘Well, the Island is close to a media business, isn’t it?’ And there are at least two
companies I know of who have been – what is the best way to put this? – encouraged *not* to do
business on the Isle of Man because of the perceived lack of interest in media.

315 **Q365. The Chairman:** Okay, and if I can just clarify for the purposes of *Hansard*, and obviously
for yourselves as well, that the remit of the Committee is very much around the governance
structure and looking at the governance as it was in the past, but also very much looking at the
governance now to ensure we are confident that any gaps or omissions that were there in the
past are now resolved. We are not in a position to make commentary in terms of where
320 Government should or should not invest. So that is just for clarification purposes.

But certainly I think if we can have an assurance around governance then that opens up
conversations potentially for our other colleagues within parliament.

So thank you.

325 **Q366. Mrs Corlett:** Thank you.

Can I just ask? Within the Programme for Government policies there is an aspiration to:

... have an economy where local entrepreneurship is supported and thriving and more new businesses are
choosing to call the Isle of Man home.

Is that something that is achievable in the digital media sector?

330 **Dr Arning:** Absolutely, yes; and it has been achieved and we supported this and I have been
actively involved. Michael brought some examples of when we take, even with a company visit,
an Isle of Man-incumbent media company to a chief content-buying officer or broadcaster. We
are opening the doors for business partnerships, maybe even for procurement and investment

in that sense. I think we did it up to the Hollywood level and we saw the investments being committed last year to new projects on the Isle of Man.

335 So there are a couple of examples where we think it has already worked and it was very encouraging to see that working, when we take young entrepreneurs – Manxies from the Isle of Man – to the International Broadcast Convention (IBC) and introduce them to the head of BBC innovation; or one of our advisers, potentially, to agree a deal on some of the first-case use of technology in some environmental documentaries. So I think this has been already achieved.

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Q367. Mrs Corlett: Thank you.

Mr Wilson do you – ?

Mr Wilson: Yes, absolutely. You have seen it happen already.

345 You have got a major post-production business that has moved to the Island and created jobs. There was no reason they needed to come here but we showed them what the Island had – or the Island showed them what it had to offer.

We have had another animation business move. It is a family-run business and the family have moved to the Island from the north-west of England. We have a number of businesses in our deal flow pipeline who would be very interested in setting up on the Island if the economic conditions were right for the media sector.

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I think it is fair to say, and it goes back to your previous question, that we have also lost business because the Island is not ready to commit in the way that other areas would commit.

We had a very good international lead in the animation space that, for a significant investment – they were looking through between £3 million and £5 million over five years – 65 jobs could have been created. But I would have said the political conditions were not right to agree to that investment and therefore those jobs were actually lost to the Island. So undoubtedly a sector can be created.

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If you look away from the Island there is a worldwide shortage of studio space. Just last week in Northern Ireland there was an agreement of an investment for I think it is £35 million to extend studio capacity. In Thames Valley last week there was an American company who decided an inward investment strategy of over £100 million.

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With some political and governmental commitment there are significant wins that could be made, because there are not many places where this sort of thing could happen. The Isle of Man has a number of advantages, not least the language it speaks and not least its location between now a major media corridor which is Leeds, where Channel 4 have just said they are going to be based; Salford, where the BBC and ITV have significant production hubs; Liverpool, which is pushing hard its media infrastructure; and Belfast, Dublin and the wider Irish economy.

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So actually there are a number of things that the Isle of Man has in its favour where, if there was a much clearer welcoming policy to the media sector businesses, there could be take-off.

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Q368. Mrs Corlett: Thank you.

Could I also ask? We were talking about growth of the media sector in the Island: what would you like to see in that?

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Mr Wilson: Okay, if you ask one person in the media sector there would be a different answer from the others in the media sector. Everybody has a different view on this because the media sector is diverse.

My simple view of this is laid out in the Isle of Media strategy, which was that we have a number of areas where we can ‘stake a claim’. There is the motorsports sector, and there are already a number of external productions who wish to get involved in motorsports and TT. There is technology, you have got a number of leading technology companies on the Island in the media space, not least of which is Richard’s SES Satellites and they have made a major

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investment in uplink infrastructure recently. But technology is a very simple part of the ecosystem where we could grow.

Then we should take advantage of the Biosphere. There are a number of environmental and ecological producers who we could make home to. The Isle of Man is a very special place and we should take advantage of that.

The other things – and we have spoken about animation – I think the animation cluster is a really interesting proposition. Northern Ireland Screen, who I guess are our competitors, OD for Northern Ireland, have a strategy document called ‘Opening Doors’. And, if I remember it correctly, actually Northern Ireland does not want any more animation businesses. They think they have got to capacity with animation. So there are businesses that we can attract that are overspill from other areas.

If the question is more in terms of investments, ‘What do you think we need?’ It would be nice to have an entry-level studio facility; and it would be nice to have a clearly defined media investment fund. Now, by ‘media’ please do not think ‘production’. I think the highest risk investment is in single productions. I am talking about media technology companies, businesses, platforms as opposed to single production entities, i.e. a film or a TV series.

Q369. Mrs Corlett: Thank you.

Would you agree that job creation is a key measure?

Mr Wilson: Yes, but I think it has got to be viewed as part of a longer-term strategy. Just to say, ‘We need x jobs in the first year’, I think is counterproductive because you run for that KPI as opposed to looking at the wider need and structures to deliver that. ... [*Inaudible*]

So for the Isle of Man today, I think the number one key issue is actually seed funding and skills base.

So what can be done with skills and the University College to increase the skill base in the media sector, which was one of the reasons why we bought the CEO of Cinemagic on to our advisory board? The lovely thing about the film era is there were people like carpenters, like catering companies and like electricians that developed skills and helped to redevelop filmsets, studios, etc. Some of that knowledge base has now drifted because there has not been a major production on the Island for some time; and we have seen this in other areas, Northern Ireland being a classic example. But until you build that skills pyramid you cannot expect high-end production. People talk about *Game of Thrones* in Northern Ireland. *Game of Thrones* took at least five years to achieve, if not longer, because you had to raise the skill base of the individuals that would be used in the sector.

There is the barrier of the *perceived* negativity to media. You are not going to land a major production in the short term, because some of the issues of the past need to be absolutely covered in tarmac and well and truly buried, and almost a new start to build upon.

So to be very clear: no, in the short term not job creation but maybe by year three to year five, job creation.

Q370. The Chairman: You touched there on the additional skills, those peripheral things such as carpenters or food catering, and I know that is sometimes used as a criticism of the historic film landscape, I suppose, in terms of actually a lot of that came over with the productions.

I wonder if you could just give a little bit of insight from what you have seen with that. Obviously I realise that if it is a local industry it is slightly different, but it would just be interesting to get your take on that.

Mr Wilson: There are two ways to look at it. One is the indigenous workforce and the skills they have; and so I do not mislead the Committee I do not know what the skill base is of the non-direct media skills, simply because there has not been a major production on the Island in the time that I have been at Isle of Media.

If I can transpose that, though, in a helpful way to other regions you will see there are UK-wide, actually international, lighting companies and catering companies for the film industry; and what often happens is they come in and set up a regional office and employ local people to run on – they might call it a franchise model or a footprint model – where they just copy what they do in Bristol, in Birmingham, in Edinburgh, in Los Angeles and put it into the given location where they have set up a new office. And that may well happen if there is enough production on the Isle of Man, you might find one of the big lighting companies, or rigging companies, or catering companies putting in an Isle of Man office. They are not going to import staff, they are going to hire local staff and then train them to their standards. So you will see growth in skills that way.

Q371. The Chairman: The other thing you touched on, if I could just expand? You talked about entry-level studio facilities. Is that something you could envisage you would be attracting someone to develop here? Where would you see Government involvement in that?

Mr Wilson: The conversation has never started and there are a number of ways to do it. I think I am talking about such a low-level type of production, I am talking about just clearing up a warehouse and soundproofing it and putting lighting rigs in. I am not talking about a purpose-built facility at all. In fact one of the best small-scale studios I have ever seen was in a former car showroom in Cardiff, because you have the height, you have the small offices for edit suites and you have the back garage area where servicing was done which is the second, normally quite dark, place which can be used as a studio set. So with innovation anywhere can compete where the scale can be turned into a studio.

Yes, it could be outsourced. You might speak to one of the providers in Dublin or Belfast or the north-west of England, although quite frankly – and again, just to be very clear, it has never been discussed – it could be an add-on to a business like Flix, because as well as post-production ... All you are doing is basically booking a space and then the producer will bring into that space everything it needs on a project-by-project basis.

So there are a number of ways to do it. It is not a complex thing to do, is probably the best way to say it.

The Chairman: Thank you.

Q372. Mrs Lord-Brennan: Thank you very much. I have got a few questions now where I am picking up on some of the things you have already mentioned around Government support, industry view and indeed strategy. I will just continue along with the flow that we have got.

You have mentioned potential projects around TT, Biosphere and also the animation success in Northern Ireland; and you have mentioned some of the barriers. But, given what you have said about production studios and just simply booking a space, and it seems like it is a matter of co-ordination and an entrepreneurial mindset: what are the barriers to getting some of these projects off the ground? And really why does it require Government then to necessarily get involved?

Dr Arning: Maybe an upfront comment to this.

The first thing it needs is commitment. When I work with governments and government programmes stimulating economic growth around the world; when I had dinner with the scientific adviser of President Obama in his function as director of the White House Office for Science and Technology Policy, it is not just that Professor Holdren is a polymath, a brilliant mind writing books in the ivory tower, but he is part of a team, he is part of a national strategy group, or was, and these strategies all have very, very long-term commitment. That is the first thing and it needs to be visible and publicly stated.

Normally, national strategies around this are 10 years-plus: what you want to achieve in nanotechnology; what you want to achieve in artificial intelligence; what you want to achieve in x, y, z.

490 The second is that you bolster your ambition in these very long-term, 10 years-plus strategies with a budgetarial commitment; the tool box of economic stimulation for probably five-to-seven years, normally. We have not had this in the years where Isle of Media operated, not in our sense – we were operating basically on a shoestring budget, volunteers’ contribution, part-time staff, none of us is full time, and with a lot of goodwill from a wide private and industrial
495 membership. It needs resourcing. It needs the commitment and it needs the resources to do so ... And we are not even speaking about funding companies, I am just talking about people doing it. Whoever this is, in Government or outside of Government, there are various models to do it. So this needs to be done.

The second differentiation to other jurisdictions working with such tools, despite the long-
500 term commitment, is that you really should review those achievements and programmes externally and independently. So when the European Commission reviews their financial instruments in terms of efficiency, effectiveness and alignment with the European strategies there are a couple of expert consultancies – and, partly, their only job is really to review government programmes independently.

505 So the Agency’s traction I think which will come to this very soon, is very new. We are not yet there, but it should be from our point of view targeted – not to be reviewed just by a board which is basically part of the operation or by us as an industry initiative. It needs commitment and it needs independent expertise and review as just a prerequisite before we start into action.

510 **Mrs Lord-Brennan:** Okay.

Mr Wilson: And if I can pick you up on that and say: so, why does it need the Government?

It does not need ‘the Government’ but it does need often a funder. So even if you look at some of the biggest dramas that are produced by, let’s just use ITV as an example, they do not
515 fully fund those dramas, there are multiple funders in a major production. Many of these dramas are now over a million pounds an hour. If you go up to the *Game of Thrones* standard it is a multiple of a million pounds an hour. And everybody looks for partners to share the risk.

This is why I am talking about backing the company rather than the production because, to be quite frank, if you were to support 50 projects it is possible that fewer than five will make
520 money. But this is a high-risk area on a project-by-project basis and many businesses – and you will see if you read the media press, this is not rocket science – back people with a track record; which is why, when Richard talks about the marketing to high-end individuals and when we talk about going to Cannes and London, we go to those places because that is where the experience and the best ideas are.

525 But almost every project, even those by Netflix, has multiple funders, normally, before they get off the ground. There is no media fund on the Island and therefore when we introduce businesses that may come here, the obvious place for funding – in my tenure anyway – has been the Government either through I think the scheme was called Sparks before the Enterprise Development Scheme, and they have been the route to bring individual companies to the Island.
530 And that is why it needs the Government.

Dr Arning: Just as a comment, not everybody comes here with funding requests; some do not want to have foreign equity as shareholders in their companies. For some of them it is just another company here, a new company being set up. We basically discuss, is it worth to file even
535 a grant application? Because in the time you do, you can attract maybe a couple of client contracts and they might be recurring.

So is it really worth that you look into these? It is a trade-off, what you focus on. So not everybody is looking at funding. We talked about indirect support in supporting infrastructure

540 being built up. But, yes, for a couple of those being interested they will ask, 'What is financially in it for me?' Some are just attracted by, let's say, the financial benefits, the natural ones of an offshore jurisdiction. And for, especially start-ups, they will look at the non-existent or zero-capital gains tax which, when they exit, is quite an attractive value proposition.

545 Some others on the distribution side might think it is great to buy intellectual property and own it on the Island, because there is no withholding tax when you buy content rights to the Isle of Man. So there are a couple of financial natural benefits of the jurisdiction, and not every client is after funding.

550 The second is, despite Government funding, we opened up as reported in-routes for private financing. I think there is a wider agreement across the Island, as Michael alluded to, that seed capital and early venture capital for *a* and *b* series rounds is difficult to get, at least at a decent size. We do not have many, if any at all, venture capital funds here. I think this is a general scheme that is not specific for media, which is in discussion between industry and Government. We have not seen a solution yet.

555 It brings us also a little bit back to the old last Pinewood-managed media fund. Why have they not put their own skin into the game in terms of there are other models in public/private partnerships where, let's say, a venture capital fund is attracted to a jurisdiction by the co-investment – a co-investment, not an investment of the Government. We have seen this in many European jurisdictions and we have discussed some of the models in the Digital Agency. So there are various different models and structures, just to comment, which could support the financing needs.

560

Q373. Mrs Lord-Brennan: Okay, that is very helpful.

565 And just to build on what you have said. Essentially the USP and the offer of the Island in terms of media, as you see it, is there anything that you would add to the comments that you have just made?

570

Dr Arning: Yes, as Michael said, we are just sitting in the centre, in really the geographical centre of what we call the 'northern creative belt' – the Northern Powerhouse refers basically to the northern corridor of England. We include Belfast and Dublin, and then there is the Northern Powerhouse, and just in the middle we are sitting in this linguistic English community which is a great beach-head for any non-European media company to target first, and naturally most times, the English-speaking market, and build from there. There are absolutely no financial disadvantages if you are outside production, post-production in some of these genres. So if you are in technology, in video technology, in rights distribution, and in whatever, there are no tax rebates or film funds relevant anywhere for you. So your choice of the right jurisdiction is really driven by other topics.

575 So we are sitting right geographically in that belt. If you look at that belt it is largely cities and that means city life, which does not cater for everybody.

580 The third is we have – and maybe I should comment a little bit on our strategy process. We have researched cluster strategies and structures and models based on third-party scientific literature. There are a couple of models and looking then at specific, largely city clusters in media, regional clusters, none of them in Europe is offshore. We are unique with the known advantages or sometimes disadvantages of being based offshore. So we cater for probably a niche interest, but we have a distinguished USP in our financial setup, as I pointed to.

585 Last but not least with us, with Michael and his CV with our advisory board which you are aware of, I think it is a phrase which is often used on the Island, we are 'punching well above our weight'. So the experience that clients and prospects have when they meet with Michael and our executive team or advisers, they are quite astonished to find on a little rock in the Irish Sea such knowledgeable individuals as their sparring partner counterpart opening their doors.

590 **Q374. Mrs Lord-Brennan:** Okay, thank you.

Mr Wilson, if you could help me with this?

What other factors would a business or an investor be taking into consideration when they are looking at the Isle of Man?

595 **Mr Wilson:** I would say: how long have you got?

Can I just quickly follow up on Richard's last answer? Look at our competitor jurisdictions, the nearest one is probably Belfast. Thirty years ago Belfast was a troubled environment. You would not have got people travelling there to play golf; you would certainly not have got people travelling there to make movies. And even though the environment is still not a completely
600 peaceful environment, it as a divided society, you have big businesses like Disney and like HBO putting production into Northern Ireland.

Once you have crossed the Atlantic it does not quite honestly matter if you fly an extra 20 minutes from Belfast, or to Castletown, or to Dublin, or wherever. It is the environment that the organisation gets when it lands. And one of the challenges of the Isle of Man is actually a
605 lack of confidence, that there is no belief that in 10 years' time you could land a Disney, or an HBO, or an Apple, or a Netflix.

Actually, one of the things that need to change – now to answer your question – is actually the mental environment that people land into. We see on the bottom of every e-mail, the 'Isle of Man. Where you can'. Well, can you really? Because in the media sector today I know the
610 answer is that you can't. And another one of the things that needs to be there is the turnover in the Department of Enterprise Digital Agency and Media Stats – we lost count in the first year of the Digital Agency how many people there were representing media –

Dr Arning: Yes, since we started discussions, from my point, I think I counted 10 people being
615 in charge directly or being the superior in charge of the sector. And they are all gone.

Q375. Mrs Lord-Brennan: In that the Department or in the Agency?

Dr Arning: In the Department and the Agency and the former DED over a period of four to
620 five years. So you always press the reset button, you always re-educate. There has been no consistent type of staffing and knowledge being built up on the governmental side.

Mr Wilson: The first thing that the businessman needs is a contact and stability. He needs trust in the environment that they are going to put their business into. And as we said before,
625 Isle of Media in many ways is the top end of the funnel. We then pass individuals on to the Government. There needs to be a good way for the bottom end of the funnel, i.e. the good ideas, to be processed. And a lot of that comes through experience.

When we go to Cannes and London, one of the things that you hear regularly is that film businesses, creative businesses and technology businesses like talking to myself, and to Dave
630 Moseley, and to Dr Arning because we have seen it, done it, got the T-shirt. We are not Government marketeers, we are experienced media professionals who understand how their businesses work and understand the development of a project from embryo to the finished product – the finished item being in the cinema or on your small screen or wherever.

The Isle of Man has an advantage now; and when they land they have got amazing scenery.
635 They have got everything from sandy beaches to rugged cliffs to moorland; to environments where developers have left towns and villages unchanged for centuries. It is a great location. I first visited the Island only three years ago and was amazed at the variety of content that could be made on the Island. And then you have got ultra-modern businesses and structures as well. So you have got a whole range of locations.

640 But there is a shortage of studio space or filming space. There is now post-production; the Island has connectivity – both electronic connectivity with pipes and satellites; and it has transport connectivity – when the weather is good – to multiple regions by air and sea. If you are

bringing in sets and equipment they like you to come via sea rather than necessarily be air-freighted. So, all of those things.

645 I mean, people talk about the Scottish film industry but to move a container from somewhere like Pinewood or Elstree in London up to the Hebrides is a darn sight harder than moving from Elstree or London to the Isle of Man. So, some of the things that are viewed as negatives, actually on a big production are not.

650 Look at Star Wars: they filmed on the Skellig Islands off the west coast of Ireland, a place that must be six hours drive from Dublin, with no great air connections, and they were quite happy to move global movie stars and film in those locations. So the big productions are not interested in what might be viewed as minor logistical challenges.

655 If you go back to the report that was written on the film industry by Oxford Economics, there is a chapter on the challenges of the Isle of Man; and that chapter, I would have said, has not fundamentally changed since it was written in 2012 and I recommend that the Committee refers back to that. I will find it and I will send you exactly where it is, because they are real operational challenges. Some of them can be overcome, but some of them cannot be overcome. But the biggest issue is actually can we do this in the media sector? And that is the area where I think I would have the most concern when talking to businesses.

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Q376. Mrs Lord-Brennan: In terms of the business opportunities you have been assisting with and helping to progress – and feel free to give us a sense of the nature of those, but I know that you cannot name specific companies. It would help us with regard to our original remit to understand how risk is assessed around those; or indeed how companies in that industry make
665 an assessment of the risk of the projects that they are putting forward. You have mentioned about co-funding and about the high risk associated with the full funding of single films and that sort of thing. So anything on the nature of that risk and how it is assessed would be very helpful for the Committee.

670 **Dr Arning:** As an introduction statement, as I think we both pointed out, we as Isle of Media Ltd do not invest; we do not have funds to invest, we cannot – and we do not – recommend investments. We are not licensed by the Financial Services Authority to do that. We have partnered with the professionals who are licensed to do this.

675 So, as stated, not every enterprise exploring opportunities on Manx shores is looking into financing. For those who do, only public – not private financing – is I think the risk you are referring to. So public financing, largely targeted, or companies being interested in our grants and the Enterprise Development Scheme. We are not part of the schemes or the grant application process.

We can introduce to Government, and Government takes over. It is not our responsibility.

680 What we achieve is that we, with the expertise of our staff and advisers, are looking at the business, their plans, their experience and their track records before we decide *if* we introduce them to anybody on the private or the public side, if it comes to financing needs; or let's say procurement and rights of a content series, etc. So we pre-filter those in the funnel-type of model before we do this.

685 This is the risk mitigation that Isle of Media can deliver. But then clearly we are outside the funding process.

Mr Wilson: It is *more* than pre-filtering, if I can add. I mean, we look at their business models and because of the range of experiences we have across the senior managers of Isle of Media,
690 we talk to them about their business development and how we can mitigate risk and develop the positives of business plans.

So we will often see a business plan four, five or six times and ask for it to be re-edited and reviewed before we have passed it into either the Department or the Digital Agency. So we, through experience, mitigate risk; but actually I think the governance is very good at the

695 moment, if the funding mechanisms could be established. At that point, we step back and play
no role in the governmental decision-making on funding. We just continue to assist the business
to grow its business plan and ideas.

Q377. Mrs Lord-Brennan: Okay, that is helpful and I am sure there are other risks that are
700 business, and other opportunities that you might look at; and you might also look at general
risks. But that is helpful.

Is it fair to say then, in reality, it would be expected that after you have done your initial
processes and assessment and guidance, or filtering, it is understandable that Government, if it
is to get involved, will effectively obviously go through their own processes and assessments as
705 well?

Is that correct from your perspective?

Mr Wilson: That is correct and to try and give you an idea of quantity I think we have seen
over the last two years – and, Richard, please correct me – 40 to 50 businesses, of which maybe
710 30 to 35 have given us business plans, and I have probably discussed in detail five or six with
Government. That is the level in which we try and narrow it down, because: (1) we are not in the
business of wasting the time of a Government resource which is not big; but (2) we have got our
reputation to be concerned about as well and we are not bringing chaff to the table, we are
trying to bring wheat to the table.

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Q378. Mrs Lord-Brennan: Just a final question from me on this, then.

Can you tell me: what is the compelling case in your view for public funds or indeed public
and Government endeavours being applied to media projects? I am curious about that both in
terms of perhaps direct funding from Government and indeed supported promotional efforts.

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Mr Wilson: I think I am going to slightly duck the question and say that is a political decision;
that is not a decision for Isle of Media.

What I would say is, in my dealings with the Isle of Man Government at various levels, I am
yet to see a vision for the Island's economic development away from the e-gaming sector, the
725 finance and the insurance sector. The media sector is a sector that many other jurisdictions are
looking at, there *has* to be a reason for that. To me the reasons are obvious, the infrastructure
required is minimal compared to ... (**Dr Arning:** Manufacturing.) for example. And then the
upside is very strong because it is an industry that attracts skills, it is relatively high paid and it is
a good way of attracting young people.

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In our evidence pack that you got last week you will have seen that the Isle of Man's own
research says job opportunities are one of the reasons that young people do not return to the
Island; and in the same pack it says creative industries are one of the areas where they would
like to see opportunities. So, to me, your own evidence says if you want to keep young people
on the Island and if you want to develop an economic sector this is an area that should be
735 looked at in far greater detail than it has been, certainly in the two and a half years that I have
been involved with Isle of Media.

Q379. Mrs Lord-Brennan: Thank you.

Do you have anything to add, Dr Arning?

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Dr Arning: I agree with Michael, it is basically a political question that links back to the
Government Programme as referenced to build a diverse –

Mrs Lord-Brennan: I am looking for a case; I am looking for something to say, 'This is why it
745 should be supported by public funds'. I am looking for a case.

Dr Arning: A case in terms of ... ?

Q380. Mrs Lord-Brennan: Well, the question is: what is the compelling case for the use of public funds and public-supported endeavours, particularly to do with media?

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Dr Arning: To have a robust, sustainable and attractive economy which supports the Island life; and part of this is marketing the brand.

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It is a generically, intrinsically, positively perceived sector. It is not troubled with negative perceptions like other industries might be, in terms of pollution or in terms of whatever ethical concerns; and it is a sector, which Michael alluded to, which is longed-for by a couple of youngsters. We just had one here in the audience, a Manxie who came back looking for employment in the animation sector, specifically, and who found one in the most recently created venture in this sector.

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So it has to be part of the future strategy to look at new sectors and to diversify seriously, with regard to our dependence on the finance sector still as the largest job-creating sector; and the economically very important e-gaming sector which are both, as we know, under structural pressures which are not going easily away.

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I think the Island managed very well recently when they got some soft landings when the classical offshore model had been challenged. But we really need to have something which is maybe as close as possible in terms of synergies in skills, synergies in infrastructure. So we are looking at the type of animation design for gaming; we are looking at the technology side.

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I think media is one, but definitely not the only one. It is not the saviour. It is one of the candidates. We should have a serious look, as it is tremendously booming just with our neighbours.

Mrs Lord-Brennan: Thank you very much.

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Q381. The Chairman: You talked about the funnel effect with Isle of Media working as a filter, and you touched there, Mr Wilson, on the number of business proposals that would come past your desk and then how many would be passed on.

I wonder from those that were passed on, do you know how many of those led to the successful establishment of companies or development of areas?

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Mr Wilson: To the best of my knowledge the creative part of EDS made two grants last year.

One of the ones I passed on was the major project I discussed that there was not an appetite to take. I think that is a real shame because we were in exclusive talks and the Island could have had it if there was a willingness to make that investment.

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There was a problem in terms of the staff turnover that, when things were passed on, it was almost impossible to get traction with projects. Quite honestly the only constant was the Chief Executive of the Digital Agency, and he had a great deal on his plate and clearly could not run with individual projects without a constant media team. So I think the structures helped things to run into the ground as well.

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I think it is important to state at this point when we talked about a KPI of 30 jobs last year as Isle of Media's target, we delivered somewhere between 20 and 25. Those 30 jobs were expected to be delivered with a fully functioning EDS and a fully functioning secretariat within the Digital Agency. And that did not happen.

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So while Isle of Media's funding was withdrawn because we are perceived as not hitting a KPI, actually we could have doubled that KPI if there had been a desire in Government to invest in some projects; and if there had been a process on the Digital Agency side that was not marred by changes in staff. The KPIs were set before the EDS launched with an expectation of a fully functioning EDS and I would question whether that happened.

Q382. The Chairman: Who is responsible for taking feedback, then?

Once you have made those introductions, do you then continue in engagement with the companies? Or is it just a case of you almost 'passing them over' and then you step back?

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Mr Wilson: No, we use the word a lot at that stage, 'conciierge'. We want to be the intermediary if possible; but the clients are not perfect either. I mean, sometimes clients are asked for information by the Government and for whatever reason they do not provide it or cannot provide it. And I would view it as our job to harass the client, or cajole the client, into ensuring that the process is as streamlined as possible. Equally I do not have an issue being the person that gives the Government feedback to the client saying you need to do this or you need to do that.

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I do not think it is a place where blame can be attributed or faults could be attributed in any single place. But certainly we do not see it as washing our hands, because indeed if there is a successful grant, as there has been in those two cases, we are in *very* close contact with both of those successful businesses. One of them, I was speaking to a few days ago; and one of them, believe it or not, while I have been giving evidence has just sent me an email!

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So the relationships, as I said earlier, with incumbent business are very, very close and ongoing.

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Dr Arning: I just went through our report to the Agency for 2019 only and, from those nine new companies we worked with, only two applied for financial assistance as far as we are aware. So the majority just did not.

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Q383. The Chairman: Okay. And is it always a case of them needing to apply for financial assistance, or sometimes is it more practical assistance in terms of them establishing, and they actually do not require the financial input?

Dr Arning: I think most of them are capable in terms of dealing with recruitment and dealing with an office – the usual stuff of finding a corporate service provider, helping them with a law firm to set up the company if they do not do it themselves. So it is probably that they are all exploring, but if they do not know the Island already of course they are trying to understand the possibilities and the potential partners. They are asking for advice here and there, but as a professional company you do not need the support directly.

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Q384. The Chairman: You have talked a little bit about your experience of working with Government, obviously through DfE and Digital Agency primarily –

Dr Arning: And DED before, yes.

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The Chairman: Yes, and you have talked about your submission to Treasury as well, so obviously there are a number of avenues I would I would say that you are exploring.

I just wonder how you see Isle of Media working in conjunction or alongside the Digital Agency; and whether in the similarities and the differences lie the synergies? How would you outline that?

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Dr Arning: I think Minister Skelly and his Chief Executive, Mark Lewin, took quite a bold step when they decided to go for a model, although a few other jurisdictions have similar models. But here the first time, to hand over a major part of the oversight of the Department's doing in those sub-structured Agencies, with the majority of the board members – who do not have an operational, but they have an oversight role – being private persons seconded from industry or trade bodies. I think that is quite a bold step.

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850 It is not an experiment, as other jurisdictions have similar models, but it is new and it also acknowledges by the name – and you know perfectly well the story, the Department for Enterprise, that Government cannot and will never have the expertise to deal with all markets and with all technologies. You cannot staff a government like that. So you need to have multipliers; you need to have advisers; you need to have expertise; you need to have access to market intelligence. That is what the Agency Board Members stand for and I am proud of a couple of great colleagues over there.

855 So the substructure of the Agencies of course you might debate. Is it right to have four? You might think it is already six because we have a motorsports team and we have Locate. So effectively you might say if we have six agencies, that is much less dependent than the strategy and the actual doing.

860 It was quite an honour to be asked to become part of that. And I think everybody of the board memberships takes it quite seriously to have responsibility on decision-making, which in the end involves investment from taxpayers' money for whatever type of activity. For the Digital Agency it is the block chain initiative; if it is media, it is supporting the core sector of Digital, which is still e-gaming. So that is something which is quite new and quite a bold step.

865 Are we sitting well with the Digital Agency? We raised some questions that I refer to in our submission to this Committee as well. I do not think all subsectors are *easily* attached to any type of agencies. We are spanning I think – rightly, we say – across a couple of Agencies. We might even say that the majority of our enterprises or professionals in the industry are not necessarily labelled as being part of the digital industries.

870 Everybody uses Word or a smartphone or digital instruments, or a digital workflow in terms of production and post-production, but it does not actually mean you are part of what we call 'the digital industry'.

875 The creatives are the script writers, the authors, the producers, the runners, the film-makers, the executive producers, the post-production and the rights distributors. So the question is: do the creatives sit rightly in the Digital Agency? You might think they could be attached to another. We have finance-related parts and we have trade-related parts. So it is not an easy decision. There is not a right or a wrong necessarily in attaching us to one of those.

880 What you might think is: do we need to sit under an Agency as an initiative? Or are we a distinct sector, diverse in our own right? Could we basically be like an agency attached to the DfE? We have brainstorming discussions around this, as this should happen naturally. I do not think we have a final conclusion but we have a current working model for this.

885 We would wish that related sectors which involve creativity, especially the marketing advertising sector, which is quite strong in job numbership on the Isle of Man – even if maybe their market is slightly more on Island than the export market, with the natural restriction of growth – we think the sector should have a known voice. But this is *our* opinion. I think it is natural to have those types of discussions and brainstorming in any type of structure to think how we can evolve those.

Q385. Mrs Lord-Brennan: Thank you. It is really interesting, what you mentioned there about creative industries and representation and the fit within the current model.

890 Just to pick up on what you mentioned about the Agencies having a role of oversight –

Dr Arning: The *board* of the Agencies. The Agencies themselves are the operative, executing part.

895 **Mrs Lord-Brennan:** The board, right.

I think it has been said a number of times in Tynwald and by the Department that part of the role of the Agencies is to focus on – I think it was, off the top of my head – a product, promotion and a third 'p' which may be – Policy! Thank you very much!

I had it a moment ago, would you believe? I had all three a moment ago!

900 But, yes: policy, promotion and product, with a view to that being developed at an Agency level to feed in then to long-term strategy that would be, I think, brought forward by the Department. I am really interested on any view you have got on the development of those three 'p's at the Agency level; and whether you see them translating into long-term strategies any time soon?

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Dr Arning: As a guiding principle it expresses the doing, it does not express the objective. The objectives are expressed in KPIs, like job growth or private investment. This is more the doing.

910 So what we *do* is try to promote the Isle of Man to various sectors as well – and maybe private individuals – to create certain new offerings. This might be a new studio infrastructure; and I think this is highly appreciated, a new submarine cable with two head ends coming into the Isle of Man. This is, for instance, the blockchain initiative which with quite an effort had an impressive ramp-up in a short time. We just need to make it sustainable, which is currently what the Agency is working on.

915 So these are, so to say, products; and in the media industry we might think about some dedicated products. We discussed about using firearms on sets, which is under certain scrutiny and heavy regulation and becoming very difficult to operate, as I was told: could we *create* some safe regulations around this as a new type of offering to distinguish ourselves from other regions?

920 We have a certain product which is the classical offshore model promotion which I think we have mentioned quite a lot in terms of events, meetings with clients and social media representation. We have not mentioned press work and policies.

There was a vacuum when Isle of Media was initiated. We basically started almost opposed to Government with the Media Fund managed in the last days by Pinewood because, not that we thought that was the entirely wrong model, but it was not the best model.

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Q386. Mrs Lord-Brennan: The policy vacuum?

Dr Arning: The policy vacuum.

930 Before the Agencies had been created with regard to the media sector there was not any written media strategy we had been aware of. There had been various inquiries, there had been years ago independent research and evaluation like the Oxford Economics Research report, as we are aware. But there was not a policy.

935 As I said, we do not expect Government to have the market knowledge that technology wants, to be able to write a policy per sector. That needs a couple of individuals, as Michael said, or a sector already so diverse that we need internally a couple of sector experts to be able to do this.

940 This is what we published, and we like all information being transparent so it is on the web page. We published a national strategy draft – and it is meant basically to be a working draft because it is open for commentary, ideas and input and scrutiny – as a national strategy for economic growth. So we brought this to the DED, which became the DfE, and then created the Agencies.

Q387. Mrs Lord-Brennan: When was that? Do you remember what year that would have been?

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Dr Arning: Yes, I do remember this because we published this as the first year anniversary of Isle of Media which was around September or October 2017 and we maintained this version.

950 This is based: (a) on market intelligence reports, which are *really* expensive if you need to buy them so various members have, via their companies, access to this information. I think it saves a whole lot of money. Actually it is based on the input of our executives, our board members and

the advisory board, most important, of which one of the key roles is to review the strategy we drafted. It is researched by ourselves and discussed with Government and now the Agency.

This is how we tried to develop in a transparent, open dialogue – as I said, it is a public document – the economic growth strategy for the sector, and we need to update this document.
955 We will let you know when there is a new version of that.

Mrs Lord-Brennan: Okay, thank you.

Q388. The Chairman: You have talked a little bit about that benefit of having a seat at the table in terms of the Digital Agency, and so you have that role on the board.
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I wonder whether there has been any change in the dynamic, because obviously we are aware that the funding at the minute has been withdrawn from Isle of Media and I wonder if you can give a little bit more information around your understanding and where you feel that the future lies?
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Dr Arning: We started as an entirely privately backed and funded – in cash as well as in kind – initiative. We never, sadly, had a financial commitment and financial basis to operate, so to say, on a steady level of investment and expenditure.

We are, sadly, used to this type of stop-and-go financing and, as we said, we are a little bit at the moment in a limbo with Government; and the Agency is waiting for the results of this Public Accounts Committee Inquiry – although we think this is something completely different, to look at the past of the Media Fund investment. Do not forget about the investment into Pinewood shares as a company, as well as the wider economic benefits. So we are sadly used to this, but as a volunteer organisation again we will survive, so to say, and we will wait to see the outcome of this Committee and decisions to be made still.
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Q389. The Chairman: When you say you are used to it, you are talking about because of the historic issues?

Dr Arning: Yes.
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You cannot basically plan easily when you work with sponsors from industry, when you are dependent on volunteers who are gifting their evenings and their weekends, or corporations which are gifting part of the office time of their employees to support this industry.

It is not easy and, as I say, we are all part-time. I think it needs to evolve professionally and the Isle of Man needs to make a decision on this sector as such if it wants it – or if it does not want it.
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Q390. The Chairman: You talked again a little bit about the fact that you felt actually the governance now is right and it is more the funding and the commitment that is an issue.

I just wonder what you see the role of the Government being overall in supporting the development of the sector?
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Dr Arning: It is not specific to the media sector; it is specific to any sector, so to say, I think that the same questions apply. So, does Government need to take a role?

To give you an example, one of the major industries in Germany is the automotive industry. Is there any financial support scheme dedicated specifically to the automotive industry? Maybe to somebody's surprise, there is not, because government perceives this industry is so strong – at least it was in the past, but there are some question marks now – that they said they do not need to have a specific R&D funding programme.
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We invest in nanoelectronics; we invest in clean tech; we invest in artificial intelligence in the future field. So the same question applies: what are we going to do with e-gaming? It is a matured industry and we should not join, let's say, the choir of the doomsayers writing it off
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1005 already although, yes, we have to be serious and honest about the challenges ahead. But does it need Government support on conferences, exhibitions and trade shows? I mean, that is a natural decision to have.

Are you strengthening the strength? Are you trying to cover the weaknesses and get new sectors stronger? This is a question which is quite political, on which horse you are betting.

1010 **Q391. The Chairman:** I wonder if you can talk a little bit, Mr Wilson – you talked about your previous roles in structuring of government funding and seeing how that has happened in other jurisdictions, and I think you mentioned Europe and Wales.

I just wonder if you can give a little bit of insight into those and how they might work here, potentially?

We may have lost you.

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Mr Wilson: Have you got me?

The Chairman: Yes, you are back.

1020 **Mr Wilson:** Good, I lost you for a second there.

I think the lovely thing about public funding is normally there is a very good paper trail, so with almost every jurisdiction where public money is given there is either a strategy document or a road map on how those projects work.

1025 There is one for Wales, one for Scotland and there is one for London; and I suspect that there is one for Dublin although I have never seen it. The one for Northern Ireland is called 'Opening Doors' and there are two versions of it, one for the first five years and they are now into the second five years of their development. It outlines what relatively small sums of public money are being put behind projects; and while everybody talks of *Game of Thrones ... Game of Thrones* was a huge risk, when you decide to invest in Episode 1, Series 1 of something so untried in the market. And the explanation of how and why are in those documents.

1030 For the Isle of Man, I think this is now ... what is the future of Isle of Media? We will continue in a *pro bono* capacity. I speak to the team on a weekly basis and I do other things; and if there are leads that come in we try and address them and point them in the right direction. We are looking very closely and trying to find private funding for projects that we feel strongly about; but that private funding may or may not come from the Island and therefore the scale of success of those projects on the Island may differ depending on where the funders are.

1040 From my perspective I think the Government needs to make its position clear on which sectors it wishes to put its eggs in the basket of, and to put a medium-term to long-term, i.e. a three to five-year commitment behind them without pulling the rug at any point in that period; and to allow structures actually not dissimilar to Isle of Media, where you have industry experts to do the marketing and to have the conversations, and then have a strong economic team within Government – whether it is Agency or not, I have no strong view – to then take the decisions on public investment.

1045 I am absolutely not arguing that organisations like Isle of Media should make the decisions on public investment, but there should be a mechanism that we can refer to that does not blow in the wind and is not subject to political short-termism, and can actually help grow the long-term economic benefit in whichever sectors are chosen to invest in.

Q392. The Chairman: Thank you.

1050 Dr Arning, I probably should have directed it to you – in your introductions you both had extensive backgrounds. So can I direct that to you as well?

Dr Arning: There are all sorts of models, but the question is which model will most likely work and be beneficial to the Isle of Man?

1055 In our second submission to this Committee we referred also to the classical model. If we discuss *just* the content production and the cost production part, which is what people say is film finance, it is media finance, it is video game development finance – it is based on what we call cashbacks or tax rebates. That model will work in a very limited way, as we tried to express in our expression here.

1060 So if you are in a low-tax jurisdiction the cash flow back into the coffers of Treasury will be very limited. It does not work financially in that ecosystem in the same way – the same model, but different parameters to be tuned – and that means you would need to scale back and be less competitive. So probably the most compelling part is a real equity loan investment, or even grants making things simple and streamlined.

1065 Personally, I like the public/private partnership. I like to see an engagement, not just of the individual enterprise but maybe others for the growth of the economy and continuity. We have seen other countries where there are public funds which are co-funded by industry, and they are working. And suddenly, as soon as somebody is putting his own skin into the game, I think this is automatically de-risking the approach.

1070 We have experiences made in Germany with a High-Tech Founders Fund, a High Digital ... Fund where a significant portion of the funding, as well as the expertise and mentor network – which I think was more than 200 experts – have led to a success of almost one billion of investment and many successful, profitable exits. As well as a quite high survival rate.

1075 It is a very selective process and the current funding approval is probably down to 1% of formally correct applications. You need to have a really big as well as a quality deal flow in order to do this.

We have a public/private co-fund for start-ups in Luxembourg. We have Seraphim Capital, a UK Space Technology Fund which is also privately co-financed by Airbus and SES Satellites and others.

1080 So there are a couple of different models, and I think it would take too long in this sitting here, but I think we should get a little bit creative, as we do not see the current Enterprise Development Scheme actually working. Also, the Chief Executive of the Digital Agency, in the last hearing here, said it is so restrictive in terms of the rules and the terms and conditions that it might either deter applicants or it just will not be successful running the application through.

1085 So in terms of risk-taking or risk appetite probably the pendulum is swinging into the other extreme conditions of an overly risk-averse type of an attitude when it comes to the engagement of public funds.

Mr Wilson: Can I come in there, because I think it is important that we are not talking about a funding process that funds everything and anything? We are talking about a selecting funding process. So when I sat behind a desk in ITV and actually commissioned content I would get 400 or 500 programme ideas a year of which two or three would get to air; and this is the sort of ratio I am talking about around investment, which is that *we* – people who have got industrial knowledge, practice, experience – will take the ideas.

1095 A huge proportion of them will actually be hopeless; they will never get off the ground as either companies or programmes. What we are asking for is an open door to those two or three ideas to be considered fairly. We are not suggesting in any way that we want the Isle of Man Government or anybody on the Isle of Man to fund 500 ideas a year. It is to choose the best of them.

1100 One of the things I have heard anecdotally as feedback from the Film Fund is that the Film Fund followed the talent. So they would sign up films with big names but that might have had terrible scripts. Now, most people who commission content read the script first and then work out what talent is attached – they do not look at the name in lights and then say ‘Yes!’, and then say, ‘Oh well, the script is a bit *a, b, c*’.

1105 This is why experience in these sectors is really important. This is *not* – and I am going to say it again to ensure it lands – about funding *everything*. This is about funding and it is about using

experience to de-risk the investments, but that those recommendations at least have a path to market – *if* this is an area where the Island wants to be committed to.

1110 **Dr Arning:** We basically did consciously two changes last year in our route of travel because of what you just asked for, risk mitigation, as well as the availability of operational working funding schemes from Government – not having a deal flow of 100 or 500 enterprises and business plans.

1115 We cannot deal resource-wise – I think even Government cannot deal resource-wise – with applications which are made by inexperienced companies or people. So if we do not have the resources to be that selective, and we cannot screen and generate that tremendous deal flow, we basically need to source a deal flow – as a venture capitalist would say – which is already more mature.

1120 So we changed a little bit more from the, ‘Yes, of *course* we deal with start-ups. Yes, we welcome them’. But in terms of the targeted market we are looking much more for mature enterprises which have been in operation for a couple of years, or even decades, and are looking at a new product, a new branch or a new geography to expand the business. So looking at more mature business is enabling us to reduce, basically, the number of applications we can look at.

1125 The second is we went down the private financing route, which is no risk for Government. It is a private risk. So we have seen the first couple of successes. It is complementary to public investment, not necessarily that it can replace in every circumstance – in some it does and in some others it does not – Government investment. Still, the grant scheme is very appealing we think even if limited in size because it is a grant, it is not a complicated loan or equity structure; or it is in the terms of management overhead, which is indirect cost for Government. I think it is probably easier to operate than any type of fund.

Q393. Mrs Lord-Brennan: Would you say that process of validation, looking at a number of opportunities through a potential deal flow – and not just that but also targeting in ...

1135 Do you think that is a reason for the Island to have more confidence than perhaps in the past, the fact that that is clearly in existence?

Dr Arning: Would you please repeat the question?

1140 **Mrs Lord-Brennan:** Do you think that the process of validating opportunities, as you have explained there, is a reason for the Island to have more confidence?

1145 **Dr Arning:** Yes, we should be more confident; we should be professional; we should leverage on the professional expertise. As I said, we are not part of the investment decision if it comes to public funding, but we can pre-filter and we can de-risk. You can ask us our opinion on why we think this is a valid company. We cannot recommend the investment, we can just basically provide background information and some opinion against the background of the markets, and what we know works and what does not work.

1150 So we have not seen, really, the Enterprise Development Scheme being largely active in investment. The number of investments, which was something last year reported in the press releases, is very limited. It was a very big figure for a small island with this £50 million to be announced, and it made quite an impression. I think it generated quite an interest but it is not currently in any shape or form the one which is enabling us and other sectors to process a reasonable amount of applications.

1155 So we are basically back to the grant scheme which is reasonably short in processing an application – which we have experienced, be assured. There are targets and times to evaluate from the first time you file a valid formally compliant application in the financial assistance scheme for grants, but that does not cater for more bold and ambitious figures.

Michael referred to examples where people were looking in one digit million figure rates or for private and public investment; and that is difficult to get, it is not from the current schemes.
1160 We made in our recent submission a reference to film-induced tourism which *can* have, but it does not need to have, a major big and positive impact – *TT Closer to the Edge* had a significant impact if you just look at the numbers after the film was brought to the box office. If it is only through the film you might question, but at least there is a very strong correlation between the two. You can, with the current tools and models provided by Government, measure the
1165 economic impact and the income for Treasury as well.

So on a case-by-case basis we would like the Isle of Man Government to be flexible, even if there is no structured tool really applicable, on very specific cases, to have a flexible look on special opportunities; and not being too rigid and saying, ‘We don’t have a defined process for that’. They are rare opportunities. You do not build a sector based on that, but with an open
1170 mindset I think we can achieve more.

Q394. The Chairman: Do you think it needs to be a bespoke media fund? I know you spoke about that right at the beginning and you are now saying maybe it needs to be more flexible than that.

1175 Is there an amount that would need to be earmarked if there was a fund? And I am also wondering then about proportions between private and public sector support.

I agree, I get the whole ‘skin in the game’ thing, but it would be interesting to understand where you think proportions should lie and how that media fund ... Is that how it would be?

1180 **Dr Arning:** First of all, a major part of the media industry does not need a media fund as a special media fund. They just need funding, as every other enterprise. If you are a commercial rights distributor; if you are a video technology company; if you are a camera manufacturer; if you are in broadcast consulting; if you operate even a platform or you produce technical platforms or white label solutions for other media front-end operators – these are just tech
1185 enterprises, commercial enterprises, financial ... There is no difference. You do not need a media fund for that.

From the content production side of things, things stand differently and you might question if a business plan for a production company looks the same as for a tech company; and there it makes sense to think about a dedicated, more specific scheme which is looking at those types of
1190 enterprises within the media supply chain. So that definitely makes sense to discuss, as we do not have currently anything really operationally working.

Q395. The Chairman: We are moving on to the last couple of questions, you will be glad to know, because I know we are running slightly over time.

1195 I know that you have talked about the de-risking, and the risk appetite is fundamentally different between private business and Government, and I think that is something we have seen.

I just wonder what you think the optimum method would be to capitalise on the opportunities within the media industry, but still ensuring that competent governance exists?

1200 **Dr Arning:** Michael?

Mr Wilson: Thanks, I will answer the easy one!

It is a very good question and the metrics of the media industry are not the same as what you might call ‘traditional’ industry. Payback is much longer. If you look at something like the *Rocky Horror Show* it was an absolute flop when it first came out; it is now a real money-maker,
1205 because it was a very long burn.

You get formats that may fail in their first series in the UK but will take off in Asia, and nobody knows that the person that made them and created them is a multi-millionaire because

1210 they have never seen it on English language television. So in terms of all of that measuring success it is very, very difficult.

I would much prefer to look at it through the other end of the telescope, as you cannot judge success if you are not playing the game. And I would suggest that if the Island wishes to be in the media sector there should be two or three pots of funding.

1215 There needs to be a seed-funding pot for small scale productions, maybe maximum £10,000, £20,000 or £30,000 per production that will start to grow skills on the Island. So small firms will come to the Island, and you might want to roll up the Culture Vannin Fund and the Arts Council Fund in that as well, so there is representation on the ground. People start to see and get experience of productions again, so all the skills at a low level can start to be grown.

1220 I would view that fund on an annual basis of somewhere between £250,000 and £500,000. And maybe you only do that for three years to see if it actually starts the skills and kickstarts the low-end production and representation. You will see content being shot on the Island and of the Island on UK broadcasts as well, which would be useful.

1225 Then I would have – and I agree with Richard, it does not matter if it is a dedicated fund or a ring-fenced amount within another fund – a ‘ventures fund’ which will put money behind technology or businesses. That, I would like to see set at a £5 million annual, agreed for three years. But, do you know what? If it was a million annual, but guaranteed it would be spent, I think that is useful. I think you are still playing at that level.

1230 Then there needs to be a small level of capital just again to kickstart – in my notes I have written £5 million, but it could be a little less. You could probably – and we have not done it because we have had no expectation of the money being spent, but I suspect you could spec a warehouse into a studio for somewhere between one and a half and two and a half as an entry level.

1235 The third capital fund is not vital, because people will make soundstages wherever they make soundstages, but the other two sums I think would say the Island is open for business in this sector. Anything less than that and it is a hobby, not an industry; and the Island has to understand that.

1240 **Q396. The Chairman:** So just to round up, I suppose, a bit of a cheeky question: but if Isle of Media was not here what would we have seen? What would the landscape look like now?

1245 **Mr Wilson:** I do not think that is a cheeky question at all! I think the knowledge of the Island would be *far* lower. I think it would be still viewed as closed to business following the demise of the Film Fund. And I think there are somewhere between, out of those 25 jobs, probably half of them would not have appeared. But maybe I am being cocky and maybe it is only a third of them would not have appeared.

1250 I also think that on Island – and I am going to stick my neck out here – because there is Isle of Media, in those companies that we deal with there is a confidence that there is an organisation trying to represent them that knows what it is doing. And when it goes to London, to Manchester, to Leeds, to Cannes actually we put on *for not a lot of money* – and I want to be clear on this, things like Cannes cost less than £10,000. These are not hiring a yacht, hiring marquees or hiring stands, these are done at low impact and at low cost and they actually make a mark and we are talked about.

1255 At the moment we are not planning to be at Cannes this year for reasons that I am sure you understand. There are people very disappointed about that because they like to know what is happening and they like to keep up to date, so in their long-term planning they could or could not factor the Isle of Man into their filming, shooting or business schedules. So if we did not exist I think that would be what is lost.

1260 But also the marketing of other bits of the Island. We have taken all of the shared office space and created short-form video to promote that and they are on YouTube. We have done a location video which is on YouTube to market the Island. These have been shared thousands of

times. So that level of marketing would be gone as well because to the best of my knowledge – and Richard, please correct me – there has been nobody in Government for the last three years actually marketing the Island.

1265 The word ‘duplication’ was used earlier. I do not think at the moment Isle of Media duplicates any function with any function currently in the Digital Agency or the DfE.

Q397. The Chairman: Thank you.

Do you have anything to add, Richard?

1270 **Dr Arning:** Just to thank you as a Committee for this forward-looking Inquiry.

We have made submissions about the past as much as we were able to source information about this and looking from an economic point of view.

1275 I would like to thank Michael and all my colleagues who have stayed on board on sometimes a rocky road; as well as a lot of players, partly in the room, from the Island’s industry and our external advisers just helping us to grow this as a not-for-profit organisation.

The Chairman: I would like to thank you both for your oral submissions today, but also for the written submissions that you have provided the Committee with, which have been extremely helpful. The Committee will now sit in private.

1280 Thank you.

Mr Wilson: Thank you very much indeed. Thank you.

The Committee sat in private at 2.03 p.m.