

# Isle of Man Digital Media Cluster

TELEVISION | BROADCASTING | VIDEO | FILM | eSPORTS | DIGITAL MEDIA

## Strategic Directions for the Isle of Man

PRESENTED BY  
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PRESENTED ON  
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## Disruption in TV and exponential growth in video

Linear Television is a highly profitable, cash-generative, globally expanding and mature industry. The rise of 'non-linear TV' or 'Video On Demand' (VOD) or 'Over-The-Top' (OTT) is driven by changing viewing habits, massive investments into 'original content', leveraging global reach by streaming, advances into broadband infrastructures and regulatory enforced opening of previously geo-blocked/licensed markets. New forms of content and end user devices have entered the markets, like social media television for millennials or virtual reality. The ultra-fast changing value chain is creating numerous opportunities, new jobs and new companies in content production, tech, monetisation, consulting and advertisement. The Isle of Man can capture this fundamental opportunity for new entrants in the Digital Media Space

## Financing & Taxation

'Tax Rebates', which are effectively grants, are a race to the bottom for the competing jurisdictions in production of film / high-end-TV (drama, documentary, comedy), animation, kids-TV and video-gaming. Other TV genres are not subsidized, neither do businesses engaged in distribution, broadcasting or OTT benefit. They are taxed with standard corporate tax rates. This creates opportunities for the Isle of Man to attract fast growth, highly-profitable Media ventures rather than film

## Growth Opportunities for the Isle of Man

- Unique offshore value proposition without competition in Europe
- Building on the Island's TV/video industry and the heritage in film, attracting job generating ventures - instead of risky film financing
- Skills synergies with eGaming, video gaming, animation and ICT
- Video as the most data-intense form of data can leverage on the Island's ICT infrastructure including the new teleport
- Potential regulatory advantages to be explored as VOD/OTT regulation (e.g. for the likes of Netflix) is in its infancy
- Unlike Offshore-Finance and eGaming the TV & video industry is generally positively perceived, creating a positive branding

The Isle of Media Ltd. has already proven its capability to generate a 'Deal Flow' of interested ventures. Numerous new jobs are achievable

## Recommendations

- Embrace current disruptive opportunities of a Digital Media boom
- Focus on players and projects in the new areas of OTT, distribution, tech etc., building on the synergies with eGaming and FinTech and position the Island as a finance hub for this new sector
- Provide sustainable funding for further marketing and operate a jobs and TV/video oriented Media Fund under lean management
- Create an integrated digital social media/NGO approach to local TV
- Explore opportunities and private investments tools in Digital Media

## 1 Markets

- a. Trends
- b. Global TV and Video Markets
- c. Global Film Markets
- d. Competition of Jurisdictions & Clusters
- e. Brexit

## 2 Isle of Man Ecosystem

- a. Financial Assistance & Taxation
- b. The Isle of Man Cluster
- c. SWOT Analysis

## 3 Strategic Recommendations

- a. Embrace Change & Boom: 1001 Opportunities
- b. How to organise: Isle of Media as Public Private Partnership
- c. Where to Focus on: Three Areas
- d. More than the Social Part: Isle of Man TV Station



# 1. Markets

## a. Trends: Disruptive new players in boom sector

### Social Shift

**#TheNewBlack** 'TV is the New Film' for actors and producers in high end drama; binge watching; 'TV Oscars' coming

**#Millenials** User generated content; short formats; eSports; mobile viewing; vertical formats

**#Demographics** change and more viewing

**#SocialMedia** platforms like Youtube, Facebook, Twitter offering live events or even classic broadcast channels streaming packages

**#CordCutting** #VOD replacing PayTV; service bundling by users; skinny bundles

**#GigabitSociety** (FTTH) overcoming bandwidth bottleneck, enabling VOD for everybody and 4k/HDR

### New Business Models

**#HybridNetworks** e.g. bundles with eCommerce or broadband

**#PeakContent** flooding the screens fueled by VC and equity

**#OriginalContent** as USP for platforms and broadcasters

**#LongformContent** TV made for retailers

**#NicheInterests** reaching economy of scale by global OTT

**#Middleman** (distributors, studios) taken out by platforms

### Tech

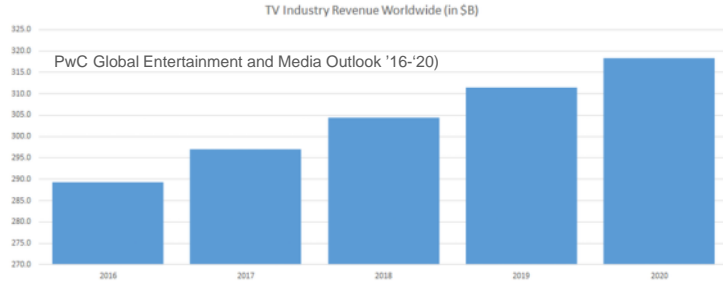
**#UHD #4k #HDR** becoming mainstream in sport, shopping, fashion, high-end-documentary... **#8k** looms

**#VR #AR #360** as complementary content and experience

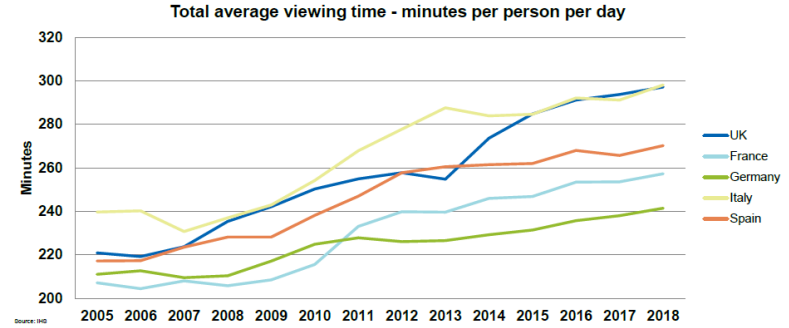
**#Cloud** for DVR, playout services and video archives

## b. Global TV and Video Markets

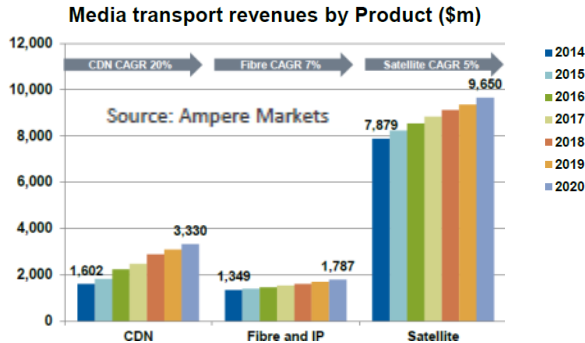
### Revenues Rise in TV industry



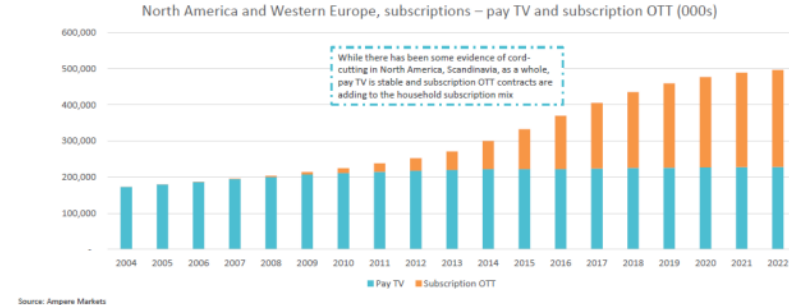
### Longer TV viewing



### Growth in transmission service revenues



### Rise of OTT



## c. Global Film Markets

### Box Office Ticket Sales flat / declining

- Long-term stagnation in the number of global tickets sold. Admissions totaled 1.32 billion last year, flat compared with 2015, and down from 1.4 billion a decade ago
- Challenge to lure younger audiences who have more entertainment options in the home

### Box Office Revenues flat, China disappointing

- Leveling off at the global box office underscored sluggish movie ticket sales in countries outside the United States and Canada. Foreign box office totaled \$27.2 billion in 2016, down from \$27.3 billion in 2015
- China fell 1% to \$6.6 billion in 2016, in U.S. dollars

### Monetisation by linear and non-linear TV

- The importance of box office revenues is diminishing for film (down to ca. 10%). Some films directly start online

→ **But more important for an Isle of Man Digital Media strategy than the global block buster driven cinema business is the small-medium budget and UK (Indie Film) situation**

### UK Indie Film Crisis (from [Screendaily](#))

- ‘The State Of The UK Independent Film Sector’ study recently completed for UK producers’ association PACT was that 78% of the UK producers contacted for the report have had to defer some or all of their fees since 2007. Given they were unlikely to have had much of a share of the ‘backend’ from the profits of their films, this means that, in certain circumstances, they are working for virtually nothing
- The international market value for independent UK films has suffered a decline of an estimated 50% since 2007. The report puts this down to digital disruption, increased competition for audiences and the squeeze caused by the global financial crisis of 2007. It concludes the present financial model is “broken”
- With 25% UK tax relief the sector struggles to compete with other English-speaking countries like Canada and Australia
- Most UK sales agents acknowledge the international market value for UK films has dropped and point out they too are suffering as a result. “The answer to falling international revenues isn’t simply to replace them with something else, it is to address those international markets and get better at selling to them,” suggests Charlie Bloye, chief executive of Film Export UK

→ **Still Indie Film fuels the skill pipeline and has avantgarde value**

## d. Competition by other Jurisdictions & Clusters

### The New Studio arms race, a random overview:

- Manchester/Salford: £1bn to double size for more TV studios as well as shops, offices, a 330-bed hotel and 1,400 new homes
- Pinewood: £250m expansion by adding 100,000 sq m of new facilities, including twelve large stages with supporting workshops, production offices and infrastructure
- Edinburgh/Straiton: New 'Pentland Studios', £250m for 1,600 jobs by purpose-built studio complex, six sound stages up to 70ft tall at the 106-acre site, 2 Hollywood-style backlots, a 180-room hotel, a 50,000sq ft creative industries hub, 50,000 sq ft of workshop space and a film academy
- London: Plans to build London's largest studio in Dagenham
- Liverpool: New 'Pinewood of the North' £35m for 350 jobs
- Belfast: Adding 'New Harbour Studios' with £20m for 120,000 sq ft of studios, workshops and offices on 8 acres
- Dublin: €20m for 'New Bay Studios' on 20 acres
- Chongqing: £1.6bn plans for China's largest studio

→ **Create #NorthernPowerhouse cooperation with studios in Liverpool, Salford-Manchester and Yorkshire**

### Tax Rebates & Offshore Competition

- UK Film production (theatrical release): max cash credit 20/16 percent of UK expenses (depending if budget above/below £20m)
- UK TV producers, broadcasters, distributors: No tax credits
- UK S/EIS tax reliefs for investors
- Ireland: Capped tax reliefs for film investors plus 32% cash credit on the lower of eligible expenses, 80% total costs, €70m
- Canada: foreign producers tax credits from 32% to 70% of eligible labour, plus tax incentives on local spend from 20% to 30%. Extra regional tax incentives for visual effects and animation
- Channel Islands: Rather inactive 'Creative Industries Guernsey', failure to create something similar in Jersey. No Media Fund
- Malta: Film shooting location strategy plus attracting Media Funds. Up to 27% cash rebate, for co-productions up to 32%. Newly launched fund for feature films up to 120,000€. Studios, film and TV industry existing. Some smaller funds for creative industry. 35% corp.tax but tax refunds to non-resident-shareholders result in <5%
- Abu Dhabi Freeport: 30% cash-back rebates, no tax, but censorship
- US Virgin Islands: Up to 17% transferable tax rebate, 29% cash refunds. Up to 90% tax relief for relocating companies
- South Africa: Foreign productions receive up 20% cash rebate and up 25% if including local post production

## Background Information

- The EU Audio Visual Media Services Directive (AVMSD) regulates mass media whether television broadcasting or on-demand
- The AVMSD applies the 'Country of Origin\* Principle' which means that broadcasters just need one regulatory approval of the most relevant EU member state ('Passporting')
- The Isle of Man as being outside the EU cannot provide the necessary EU member state regulatory approval for an EU satellite channel operated from the Island. This is different for an Isle of Man based web TV channel, streaming into EU territory
- Regulatory restrictions e.g. for advertising result largely from national regulation than the less specific AVMSD, creating a regulatory competition of jurisdictions
- EU funding is currently provided for UK content and ventures
- EU broadcasting and film talent can work currently in the UK

## Scenarios






- EU funds for content and ventures might not/only partially be replaced in the UK but are negligible (£40m in 14/15) compared to billions of commercial funding. Impact is on small indie artists only
  - Unlike the current UK situation with the EU's AVMSD applied or the similar EEA arrangement (e.g. Norway), the other role models for a post Brexit Britain are: the Customs Union model (e.g. Turkey), the Free Trade Agreement (e.g. Canada) and the WTO model, all applying the 'Country of Destination Principle'. Without the EU 'Passporting Rights' from the AVMSD the UK might lose several channels currently operating from the UK. Especially Ireland and the Netherlands might benefit. But also the Isle of Man would have no regulatory disadvantage any more compared to UK
  - As a positive Brexit outcome the UK, being lifted from EU state-aid restrictions to subsidise content with local connection only, could further boost its content industry already fuelled by US investments
- **The outcome of state level Brexit negotiations as well as the market reactions are not known.**



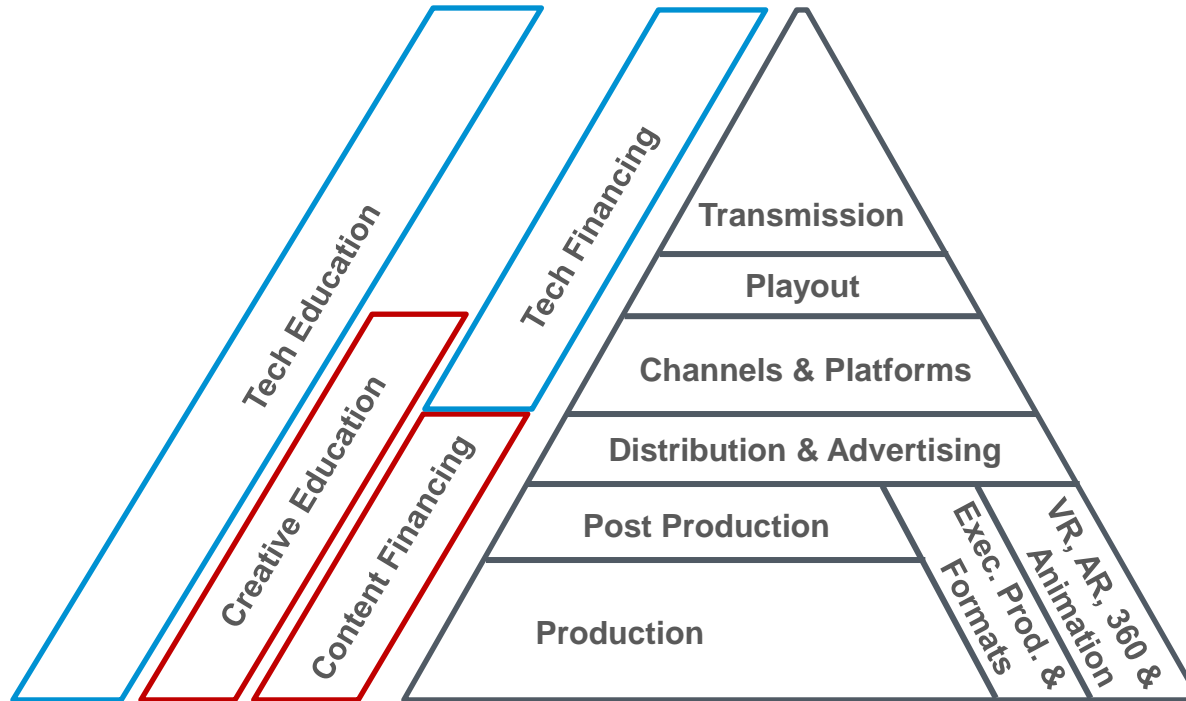
## 2. Isle of Man Ecosystem



# a. Financial Assistance & Taxation

Tax	Grants	Sovereign Equity & Loans	Digital Media Fund	Private Equity
 <p>Corporate Tax 0% Cap. Gains Tax 0%</p>	 <p>Up to 40% grant managed by Department of Economic Development</p>	 <p>£ 50 million Enterprise Development Fund managed by SPARK Impact</p>	 <p>Isle of Man Government Media Fund for content related projects</p>	 <p>Manx Angel Network</p>
<p>Income Tax:</p> <ul style="list-style-type: none"> <li>• 0-20% capped at £125 k,</li> <li>• 'Key Employee Concession': 3-year tax concession for non-Manx income</li> </ul>	<p>Funding:</p> <ul style="list-style-type: none"> <li>• Building</li> <li>• Plant &amp; machinery</li> <li>• Marketing</li> <li>• First year expenses</li> <li>• Training</li> </ul>	<p>Available Private Co-Investments</p>	<p>Flexible investment across gap, participation, lending</p>	<p>Family Offices, HNWIs, Funds, Corp. Investors, S/EIS</p>

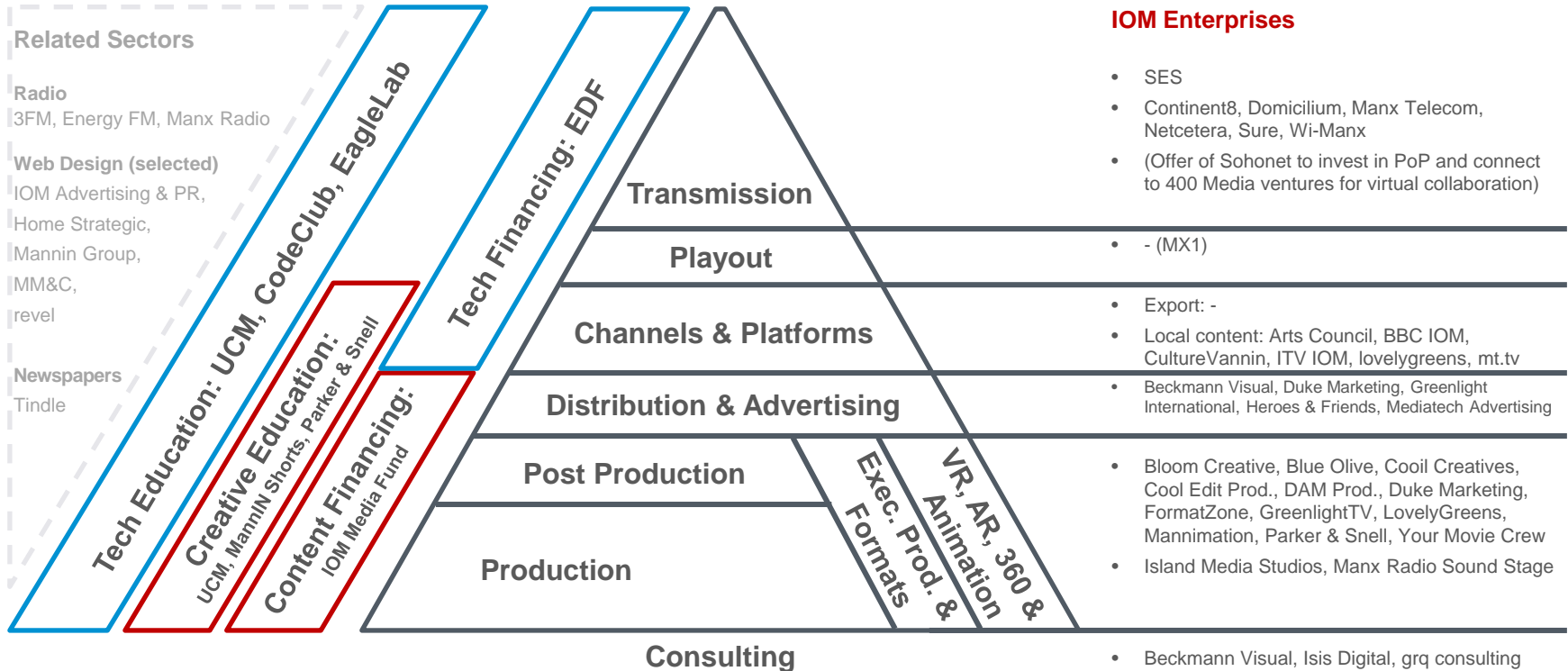
## b. The Isle of Man Cluster – Building the Supply Chain



### The Tech Side

- Television, Displays, Set-Top-Boxes
- Satellite, Cable, Terrestrial, Antennas
- Telcos, Data Centres, CDNs, MSOs
- Encryption, Encoding, Ingest, Sync
- Measurement, Metadata
- Profiling, Targeted Ads
- Recommendation Engines
- App Developments and App Platforms
- Video Middleware
- Video & Image Processing
- Capturing: Cameras, Recording...
- Production Studios, Broadcast Studios

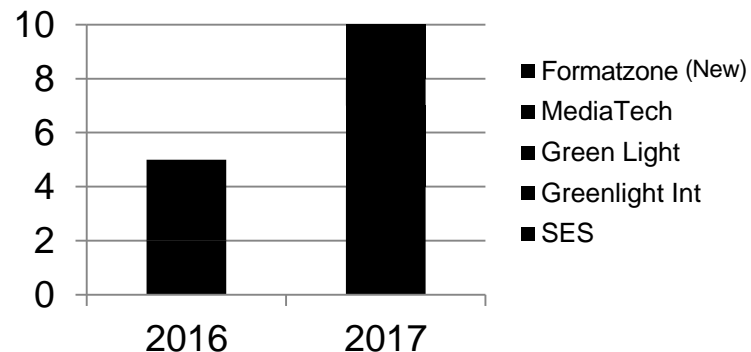
## b. The Isle of Man Cluster – Existing Supply Chain



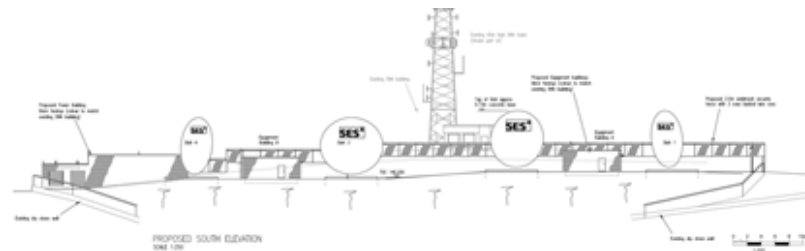
## b. The Isle of Man Cluster – Existing Players

Jobs related to Video, Broadcasting, Film (Isle of Media mapping)*	Incl. Peripheral
BBC	
Beckmann Visual Publishing	
Bloom Creative	
Blue Olive Productions	
Communications Commission	
Connect Media	
Cool Creative	
Cool Edit	
DAM Productions	
Department of Economic Development	
Duke Marketing Ltd.	
ExIsle Casting and Film Facility Agency	
Friends and Heroes	
Green Light	
Greenlight International	
grq consulting ltd	
Island Media Studios	
ITV	
Mannimation	
Manx Radio	
Mediatech Advertising	
Parker and Snell	
PMC Television	
SES Satellite Leasing	
University College Isle of Man	
<b>66</b>	<b>86</b>

### Headcount Growth in FTEs



### Multi-million investment into SES Teleport Phase I



## b. The Isle of Man Cluster – The Starting Point

### Location used / featured

- Isle of Man featured in TV or films
- No financial involvement by IOMG
- Good for marketing the Island
- Examples from TV:
  - Isle of Man in Mare TV, NDR (G)
  - The Queen's Isles, Arte (G, F)
  - Cyclefest, Bikechannel (UK)
  - Julia Walks, BBC
  - BBC Crimewatch
  - British Cycling Championships, Eurosport (UK)

### Paid Marketing by DED

- TV advertisements
- Videos on Social Media

### Film & Financing

- Investments into films for theatrical release at the box office are **speculative**
  - Markets the Island directly by photo-shooting or by bringing over film stars
  - Very active cultural scene of filmmakers especially with Isle of Man Film Festival
  - Sound film and acting oriented education offerings and local talent base
- **Not jobs creation related**
- **Previously offered Isle of Man equity financing of film production cannot compete with 'cash-back film jurisdictions' like UK, Ireland, Canada**



### Video /TV Production & Distribution

- Real Business:  
Sustainable jobs & revenues
  - Growing incumbent sector, older than Isle of Man Film sector
  - Up to 100% spend on Island
  - Isle of Man USP with zero corporate tax, zero capital gains tax, low income tax while fully taxed on-shore
  - Available financing by Digital Media Fund for 'Content' and Enterprise Development Fund for 'Tech' and 'Channels/Distributors'
  - Sector promoted by Isle of Media
- **TV is a sustainable, profitable business**
- **Large audience reach for marketing the Island as a place for tourism, living and business**



## c. SWOT Analysis Isle of Man Cluster

### Strengths

- Isle of Man tax & financial support regime competitive in television on the level of broadcasting, distribution and content (excl. high-end drama, kids...)
- Strong synergies with existing Island's skillset in production and video distribution as well as ICT sector and motorsports
- Digital Media Education established; available local talent base of Creatives
- Positive sector brand
- Nucleus and growing sector existing to build upon
- Isle of Media as PPP, driven by industry, supported by Government
- Deal flow pipeline growing; excellent traction in Island visits by media ventures

### Weaknesses

- Extreme low unemployment (< 1%); recruitment from outside necessary especially for ICT and management related positions
- No major broadcaster or studio engaged yet like in the Salford Cluster
- Exit taxation on off-shoring valuable assets and companies (→ focus on new ventures and corporate functions)
- Withholding tax levies and the effort to mitigate; lack of tax treaties
- Slightly higher costs of living & travel
- No "Soho-Feeling" on "The Rock" (but high living quality)

### Opportunities

- Position as the only European Offshore Digital Media hub including financing for high-growth, high-profit ventures
- Attract Crowdfunding Platform, further funds & cooperate with existing funds
- Transform the Island's 'brick-and-mortar' DVD exporters into online offerings
- Build a new generation template for local TV
- Private investor plans for studios, post-production and Digital Media Education
- Leverage on telecommunication infrastructure including local teleport
- Midterm: liaise with #NorthernPowerhouse and Salford Media City
- Work with the related sectors of ICT, eGaming/eSports and Cultural Industries within the re-branded 'Department for Enterprise' and its Agencies

### Threats

- Potential Brexit impact on immigration rules and TV channel passporting
- EU Single Digital Market legislation potentially threatening leading UK creative industries by abandoning national licensing
- Eventual future studio overcapacities in UK & Ireland



### **3. Strategic Recommendations**

# a. Embrace Change & Boom: 1001 Opportunities

## Content Production

Content remains key! Whether it plays to the strengths of the location e.g. as scenery, by its Celtic-Viking culture, in motorsports or to the tax advantages outside the subsidised genres like drama & kids there are plenty of USPs

## Broadcasters, Platforms, Social Media, Ads

Endless opportunities building on eGaming and the existing video industry. The new Isle of Man teleport adds to the Island's telecoms and data centre infrastructure. On top of attracting new channels and platforms the monetisation of existing video libraries on the Island via OTT can give a boost for incumbent IOM companies

## Tech

So far an almost untapped field in the Isle of Media marketing and a rapidly expanding sector. With dedicated events, e.g. IBC Startup Forum, a targeted marketing is possible, subject to available resources



## b. How to organise: Isle of Media as Public Private Partnership



### Strategy

Digital Media, even if focused on video & television, bears a complexity which requires several experts from different backgrounds to derive a holistic sector strategy for the Island. Different monetisation and distribution strategies for different genres, new technologies, cloud service strategies and pricing benchmarks, international tax laws and film and TV funding, ...it is on industry to structure the way forward

### Marketing & PR

Off-Island marketing is key to success. Road shows, networking on trade shows and individually targeted approaches are as important as social media is. But it still comes down to personal contact networks and the seniority brought to the table. This is why executives of the industry and big corporate brand names are mandatory. A permanent presence in London is necessary and offered by Isle of Media as well. We recommend a single lead in PR & marketing for Isle of Media

### Business Development

From marketing to develop a concrete lead' for a venture to setup business on the Island, this takes persistence and is work intense. Financing, tax, facilities, staffing questions... need to be answered, the Island 'show-cased'. Isle of Media provides the legwork for clients

### Financing

Expertise from industry is not just needed to evaluate applications for financial assistance or venture capital. Also to identify and engage private funds industry can help. Attracting a Crowdfunding Platform for TV content production could provide a major boost

### Networking & Association

Without an industry association, the existing Island's media sector lacked a networking platform and PR voice. Isle of Media was set up to fulfil those roles, to create a dialogue between the various stakeholders on joint opportunities and to bring together the flourishing commercial side of TV & video and the film community. Government's re-branded 'Department for Enterprise' provide the opportunity to build closer links to related sectors like ICT and eGaming/eSports

### Governance

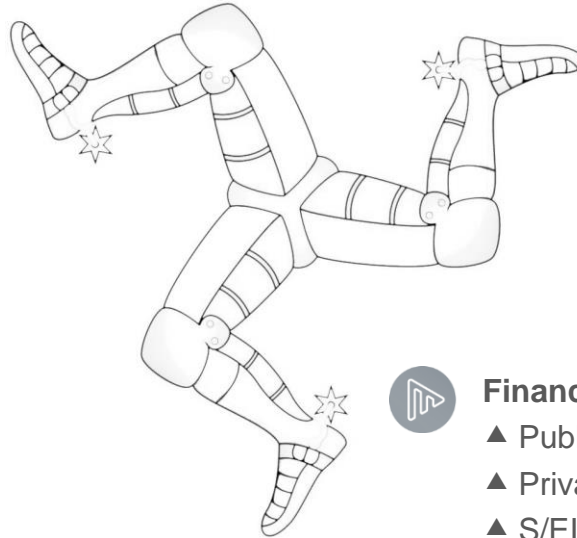
Directors of the Board are from the Island's sector largest companies SES, Greenlight and Duke. An advisory board provides:

- Independence: largely based off-Island and international expertise
- Strategic guidance
- Tactical reach to enlarge client network
- Seniority reference

## c. Where to Focus on: Three Areas

### Enterprises targeted

- ▲ Which Sectors: TV, incl. film for TV, video games and eSports
- ▲ What Genres: Shows, news, documentary, animation
- ▲ Where from: UK, Ireland, South Africa, foreign channels for UK
- ▲ What's marketed: Business, tourism, motorsports



### Social & Education

- ▲ Language, heritage
- ▲ Art & Events
- ▲ Education and training in Digital Media
- ▲ New local TV template

### Financing

- ▲ Public Digital Media Fund
- ▲ Private Funds, VCs, Angels
- ▲ S/EIS Funding from UK
- ▲ Crowdfunding
- ▲ Private investors for studios, post-production and training

## d. More than the Social Part: Isle of Man TV Station

### Today's Situation

#### Isle of Man Coverage On-Island

↓ There is little video news coverage. Manx Telecom-sponsored mt.tv web platform tries its best to achieve nearly one news item per day, but being far away from any comprehensive coverage. Complementary, Culture Vannin and others produce great videos about culture, heritage and social life, but only irregularly and largely subsidised by government. Nothing of the above hits the TV screens or achieves a significant number of households, even the TT coverage by ITV4 is unavailable on Freeview locally.

↑ Private Social Media is very active including vlogging and streaming and Manx Radio plans to have webcams in the news rooms.

#### Isle of Man Coverage Off-Island

↓ The BBC Isle of Man team with three journalists barely produces news items being broadcasted by BBC North West, and equally fails to produce any comprehensive coverage on web or Social Media. ITV with one local journalist lists a few videos in the first 180 days of 2017 on the webpage but similarly does not achieve coverage on TV.

↑ DED contracts marketing spots in UK TV stations

### Four Options with regard to a National Television Station

1. Non-commercial - Do nothing: A diverse set of players active on web and on social media produces some video available online
2. Non-commercial online push: Extra subsidies for Culture Vannin and others to produce more online-video and this more regularly
3. Semi-commercial - Standalone TV channel: This model remains difficult in a small advertisement market. It would require subsidies. As news only and only on web it has previously failed
4. Commercial Isle of Man TV as core of a UK network programme: The Isle of Man as an own nation is 'content rich'. Importantly, much of this content could be broadcasted and monetised in a UK TV network as well. This would relate to on-island produced shows, culture, language and business programming, creating a marketing tool for the Island. Embedded in a UK local TV network, an Isle of Man channel could benefit from the operation's scale in network programming, central administration and UK sales. Also technology costs and content turn-around costs have come down. Embracing NGO and private video content creators and Social Media can create a new approach to local TV. To reach local residents and secure advertising sales, a TV station has to get into the living room and kitchen TVs and cannot (yet) be purely web based.

## **Invitation for discussion:**

This strategy document is intended to stay ‘in working progress’.  
Isle of Media invites all stakeholders to comment, correct, criticise and contribute!

We are looking forward to hear from you!

## Annex: Isle of **Media** Limited

## Board of Directors



Comprising the largest Broadcast Media related IOM companies the appointed Directors are:

- Dr. Richard K. Arning, Chairman (Director Satellite Leasing)
- Dave Beynon (Director Green Light)
- Peter Duke (MD Duke Marketing)

## Advisory Board

- Catriona Logan (Director of Celtic Media Festival, Glasgow)
- Chris Sharp (former Chief Programming Officer AMC Networks. London)
- Dr. Frank Hoffmann (Chief Strategy Officer MX1, Munich)
- Mark Rowland (Chairman C21, CEO Formatzone, London)
- Simon Kelly (Director Dixcart Management, Isle of Man)
- Simon Nicholas (Director, KPMG LLC, Isle of Man)
- Stuart Burrage (Managing Director Airborne TV, London)

## Objectives

- 1 To act as a 'Business Development Agency' to support the development and growth of the Isle of Man's Digital Media Sector involved in the television and video value chain:
- 1.1 from content and format production for all types of television and video formats including also film, games, animation, virtual and augmented reality,
- 1.2 content aggregation,
- 1.3 content management,
- 1.4 commercial, electronic and physical distribution in all forms like for instance licensing, broadcasting, streaming, Video On Demand, DVD sales,
- 1.5 display, financing, incubating, consulting and promotion of video and television,
- 1.6 and related activities,  
by the means of for instance but not limited to:
- 1.7 on- and off-Island marketing,
- 1.8 education,
- 1.9 consulting,
- 1.10 participation in definition of public sector policy and
- 1.11 general participative and advisory activities which support the development of the sector and its revenue, taxation and employment capabilities;
- 2. to act as an 'Association' for the representation and benefit of the Company's membership and the wider Isle of Man economy and society.

# Isle of Media - Marketing: Major Events Schedule



## Marketing 2016

Sept IBC Amsterdam



Sept Jurby IOM



Nov Century Club Soho



## Marketing 2017

April MipTV Cannes



May Celtic Media Festival IOM



September Century Club Soho



October MipCom Cannes



## Other

IOM AfterWork Network



TT Zero Media guests



Prolific North Manchester



# Isle of Media - Marketing: Social Media, Web, Print, Press



## Webpage: General Cluster Information



## Youtube-Channel



## Press Coverage

### Broadcast

HOME NEWS RATINGS OPINION FEATURES  
NAB News Creative Review Comment Internat

### SES to build teleport Isle of Man

20 September, 2016  
Satellite operator SES is to Man.



## TWITTER: Market & Event Information



## Print Material



# Contacts

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