Made in Dagenham: a proposed film studio for Dagenham East

Assessment of Content and Capacity

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Contents

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1. Introduction

Dagenham East represents a rare chance to build a world-class film studio within the boundaries of Greater London. It would support the long-term success of the UK's booming film and TV production industries while also contributing to the ongoing regeneration of east London and the Thames estuary.

This short report, prepared by SQW, BBP Regeneration and Prof. Richard Miller of the University of Hertfordshire, examines the case for a new film studio at Dagenham East.[1] It explores three questions in particular:

- Why might Dagenham be a suitable **location** for such a studio?
- How does the project address the **demand and capacity** issues of the film and TV industries?
- How might the studio be **laid out,** given the size and shape of the site and the structures on it?

Key messages from the research

- The film and TV production sector is growing strongly in the UK, largely driven by big-budget 'inward investment' feature films and high-end TV series. Film production spend has almost tripled since 2000, to £1.6bn in 2016. Much of this growth is focused on studios in and around London.
- Trends in the film and TV markets currently favour large, permanent studio spaces. Big-budget productions typically look for at least 125,000 sq. ft of stages to meet their needs.
- Although several existing studios are expanding in response to this growth, Film London reports that demand is so buoyant that a number of major productions are having to be turned away. The economics of building new studio space in London make it difficult to address this shortfall – the demand for housing land in particular is intense, constraining new supply.
- Dagenham East represents an opportunity to create significant new capacity within London. Comparisons with other impact studies suggest a studio with at least 125,000 sq. ft of stages at Dagenham could generate around 780 FTE jobs and £35m of gross value added (GVA) per year for the (national) economy.
- Alongside these permanent gains, the construction phase of the studio might be expected to generate 70 FTE construction jobs and a further £25m in GVA.

[1] This report draws on a much larger body of information gathered by the study team in 2017, parts of which are commercially sensitive and not directly referred to in this summary.

2. Location: why Dagenham?

For a location to succeed as a film studio, a number of factors have to come together. A suitable site in the control of a landowner willing to develop it as a studio complex has to be found, ideally with space to grow further if it becomes a success. The site has to be somewhere that works for the film industry, a global business with a wide array of studio options to choose from. And there has to be the political will to help push such a development through the challenges could face, from finance to planning.

A place that works for a global industry

The UK is seen as an attractive place in which to produce film and TV. The skills base, both in front of and behind the camera, is strong. The tax-relief system is now well-established and has solid support from the major political parties. The exchange rate of the pound against the dollar has been below $1.75 (often regarded as the point at which the UK is cost-competitive in film) since the 2008 financial crisis, and has fallen further since the EU referendum vote.

London has long been the centre of the UK's film sector. Recent data from the GLA[2] shows that London's film, TV and video industries[3] account for 49.5% of the national GVA for those industries (and note this figure will exclude the likes of Pinewood in Buckinghamshire, and Warner Bros. Studios Leavesden (WBSL) and Elstree in Hertfordshire, which are all just outside London's boundaries). The industries generate £8.6bn of GVA in London, more than a sixth of the creative sector's total GVA in the capital.

London and the South East are particularly favoured by international producers for their skills base, global connectivity and appeal to top-level 'talent' as a location to work. Some interviewees for this research expressed concerns about Dagenham being a 'hard sell', given its distance from the west London heart of the London film business. The social aspects of the area, such as its retail and leisure offer and its public realm, will need further thought (as part of wider regeneration plans) if it is to appeal to such workers. However, the site does have excellent east-west public transport links into central London, to London City airport, and ultimately to Heathrow, through the District Line station at Dagenham East adjacent to the studio site. The London Borough of Barking and Dagenham (LBBD) is in discussions with C2C about their services stopping at the Dagenham East station, which would further increase connectivity. There is also plenty of space for car parking. Other interviewees thought that people would go where the work was, within the M25 region, and pointed out that west London is getting so expensive that film staff are moving east (for example, to Hackney) in any case.

The site itself is large and flat, and has been remediated to tackle contamination and accommodate employment uses. It is not without its challenges – railway lines run along its southern boundary, and some of its utilities would need upgrading (at significant cost) for it to serve the film industry, for instance – but these issues do not appear to be insurmountable.

[2] Figures in this paragraph taken from GLA Economics (2017) *Working Paper 89: London's creative industries - 2017 update*
[3] Note that this category extends beyond production activities to embrace programming and broadcasting activities, post-production, distribution, and film projection activities

Political and industry support

For a studio in Dagenham to succeed, it needs to resonate with wider strategic visions for London. The Mayor of London, Sadiq Khan, has identified culture and creative industries as one of his key priorities. The creative economy accounts for one in six jobs in the capital: between 2012 and 2016 job numbers grew by almost a quarter, a much faster rate than for employment in London as a whole.[4] The Mayor has expressed his intention to make London the most film-friendly city in the world, has appointed the first Deputy Mayor for Culture and Creative Industries, and has begun to develop the first Cultural Infrastructure Plan for the city.

A key element in this vision is the concept of a Thames Estuary Production Corridor. This is being developed jointly by the London Economic Action Partnership (LEAP) and the South East Local Enterprise Partnership (SELEP), and will feature a number of large-scale cultural production facilities across seven London boroughs, South Essex and North Kent that collectively aim to become 'a world-class centre for production'. The Corridor offers easy access to four major airports (London City, Stansted, Southend and Gatwick), and has links to Crossrail, the Channel Tunnel, and key motorways, notably the M25.

The Dagenham film studio would be one of these new facilities, and could become an important part of a regional film/ TV cluster that included existing studios, such as Three Mills and Maidstone, and proposed ones at Purfleet (Quartermaster Studios) and North Greenwich.

The vision for the Thames Estuary Production Corridor intends to harness such emerging creative clusters to keep a key sector of London's economy supplied with the kind of state-of-the-art facilities it needs to flourish in the face of global competition. The creation of such centres of excellence will also send a message that, after Brexit, London remains open to international business and creativity.

There is strong political support within LBBD for a studio at Dagenham East. The Council regards the creative industries as an important potential growth sector for the borough, and sees the studios as the central element in a wider programme to grow the creative sector, a programme that includes the Ice House creative quarter and a new cultural heritage centre on the site of the old Ford Stamping Plant. The Council is keen that local residents should be able to benefit from such facilities and develop the skills that would enable them to work in the creative sector.

Barking and Dagenham is already an established location for shooting: the LBBD Film Unit has worked successfully with a range of high-profile film and TV productions in recent years, including *Avengers: Age of Ultron*, *Doctor Strange, Damilola: Our Loved Boy, Murder in Successville* and *Humans*.

[4] Figures from GLA (2017) *Op. cit.*

3. Demand and capacity issues facing the film business

The global business drivers for film production are changing. They are increasing the demand for studio space in the UK, and challenge the industry to enhance existing or create additional capacity.

A recent report from *The Economist*[5] examined the state of the mass entertainment market. It noted the paradox of the digital age: that while there has been a huge increase in the amount of creative product available, and while the internet provides a mechanism for reaching audiences across the globe, the share of consumption accounted for by the biggest hits is growing ever-larger.

The result has been that the big film-producing companies increasingly focus their efforts on a smaller number of bigger-budget films, in the belief that this is the most cost-effective strategy. Although no film is ever a certain hit, the emphasis on blockbusters, the development of film 'brands' such as *Harry Potter* and *Star Wars* through series or sequels, heavy spending on marketing, and the emergence of large new markets for film (especially China), are changing the industry.

The blockbuster effect is also being seen in television. Subscription services such as Netflix and Amazon have demonstrated that audiences across the world will pay premiums for high-quality content, especially scripted drama. This is resulting in larger spend on such shows, which in turn drives the subscriber base upwards and increases revenues further. In 2016, 450 scripted original shows were shown on American TV, a figure that has doubled since 2010. (It is expected to be even higher in 2017.) Netflix's total spend alone on content is expected to be more than $7bn this year.[6]

Growing demand

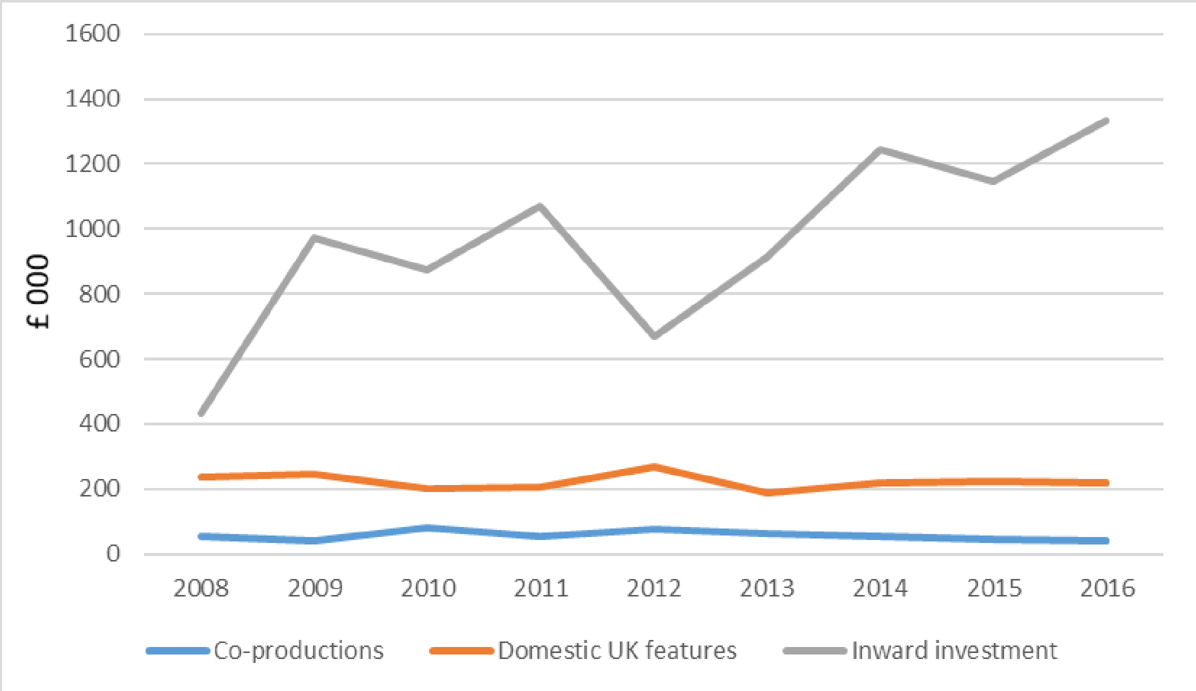
These trends are evident in film and TV production in the UK: the value of feature film production spend in the UK in 2016 was £1.6 billion,[7] an all-time high. Total film production spend can fluctuate significantly from year to year but it has been on an upward path overall for many years, almost tripling since 2000. The great majority of the spend in 2016 (84%) was associated with inward investment features, most of which are big-budget US-financed films.

The production of 'high-end' TV – shows that have a core expenditure of more than £1m per hour – increasingly uses the same kind of facilities as film, and is also growing over time. The UK production spend of qualifying high-end television programmes (i.e. those that qualify for tax relief) was £726 million in 2016.[8] This sector is thus close to half the size of the film production market by value. Around 65% of this expenditure comes from overseas, principally the United States. Budgets for some of these shows, such as Netflix's *The Crown* and HBO's *Game of Thrones* (both filmed in the UK) are over $10m an episode.

[5] The Economist (2017) *Winner Takes All: Special Report on Mass* Entertainment, Feb 11-17
[6] Data in this paragraph also taken from The Eoonomist, ibid.
[7] Figures from BFI Statistical Yearbook 2017
[8] Ibid.

Figure 3-1 confirms the importance of inward investment features by value to the overall spend on feature films within the UK.

Figure 3-1: UK spend on feature films (by type) in the UK since 2008



Source: BFI Statistical Yearbook 2017

Capacity challenges

The bigger budgets of films and the increasingly 'filmic' quality of TV drama mean that ever-larger spaces are being demanded in which to shoot productions, in order to create visually richer product. There is also an associated rise in demand for ancillary space: as more money is spent on creating sets, props and costumes, more space is needed to accommodate these activities.

The trends in the film market towards franchises, and the film majors' block-booking of stages ahead of time to guarantee their availability, means that many of the biggest UK studio facilities are full, or very close to capacity. Several, including Pinewood, WBSL and Elstree, are planning to build, or already building, new stages to meet some of this demand.

These expansions are unlikely to meet all the growing demand. Modelling carried out in 2013 in support of Pinewood's application plans[9] looked at three possible scenarios of film production expenditure and concluded that the UK would need a further 800,000 sq. ft to 1.22m sq. ft of studio space by 2032. Given that the UK's stock of studio space at the time was estimated to be 1.3m sq. ft, this would require a further growth in space equivalent to approximately 60-95% of the existing supply. A similar growth was predicted in ancillary space (including workshops and production offices), with estimates of an additional 1.2m to 1.82m sq. ft. needed by 2032. It is worth noting that these calculations pre-date the reforms made to the film tax relief (which came into force in April 2015) and the establishment of the high-end TV tax relief, both of which are thought to have stimulated demand further.

[9] Amion Consulting (2013) *Pinewood Studios: Business Case and Economic Impact Assessment*

Such substantial projected increases in the demand for studio space imply the need for new facilities as well as the expansion of existing ones. However, the economics of film studios, especially in and around London, make it difficult to build new facilities. Indeed, the pressure from higher-yielding residential property and commercial development mean that several smaller London studios, especially those with a focus on TV, have closed in recent years: examples include Teddington, Fountain Studios and ITV's London Studios. While a number of schemes for sizeable new studio space in London have been put forward over the last decade, none has yet come to fruition. The consequence of the strong demand for existing facilities and the lack of supply of new stages is that a number of productions are being lost to the UK, as Film London reports below:

Film London's view

UK studio space has increased in recent years, and both Film London and the British Film Commission have supported these expansions every step of the way, while also helping to unlock 'alternative' studio space for major film and TV projects. Demand, however, continues to outstrip supply, and commercially sensitive information suggests that competitor territories such as Canada, Australia, New Zealand and the US have significantly benefitted from the UK's lack of space.

Indeed, over the past two years our information suggests we have lost between five and ten major productions due to a lack of large-scale (i.e. 125,000 sq ft-plus) studio space. Given that each of these productions is worth tens of millions to the economy, this means significant revenue has been lost.

Based on information relating to studio demand over the next two to three years, we would estimate that – depending on timings and logistics, and on the projected size of this new studio space – a new facility in Barking and Dagenham could accommodate anything between three and five of these projects per year.

If this new facility is built, it would complement the other major studios in and immediately outside London, thus helping ensure the UK maintains its place at the heart of the global film and TV industries. The new facilities would also help generate jobs and significant revenue, and provide further ancillary benefits, such as boosting tourism.

Other issues for the sector

Brexit: Although its effects on the industry are still unclear, most of those interviewed during this project were relatively relaxed about Brexit. There were some concerns about UK films losing their designation as European, thus reducing their ability to attract finance from EU countries, and the possible loss of skilled EU labour from British-based companies. However, it was thought Brexit may have less effect on film and TV than on many other industries, given the importance of the United States (i.e. a non-EU country) to the sector.

Diversity: The issue of diversity has become more prominent in discussions about film and TV in the last few years, following the publication of statistics showing low proportions of black, Asian and minority ethnic (BAME) people working in the industries. Social class is also becoming a topic of concern, given that those from poorer socio-economic backgrounds are also disproportionately under-represented in the sector. Barking and Dagenham has always been a working-class borough and has seen very rapid ethnic change in the last 15 years, and its population is now thought to be around 50% BAME. If a film studio in the borough were able to draw in part on the skills of local people it might be a place in which the industry and its public bodies could address some of its diversity challenges.

State aid: While it is unclear to what extent EU state aid rules will apply to the UK after Brexit – they may be part of the terms of any transition period or future free-trade agreement – they will need to be considered carefully in the light of previous cases brought by the European Commission. LBBD has already begun to explore this question.

4. Indicative layouts for the site

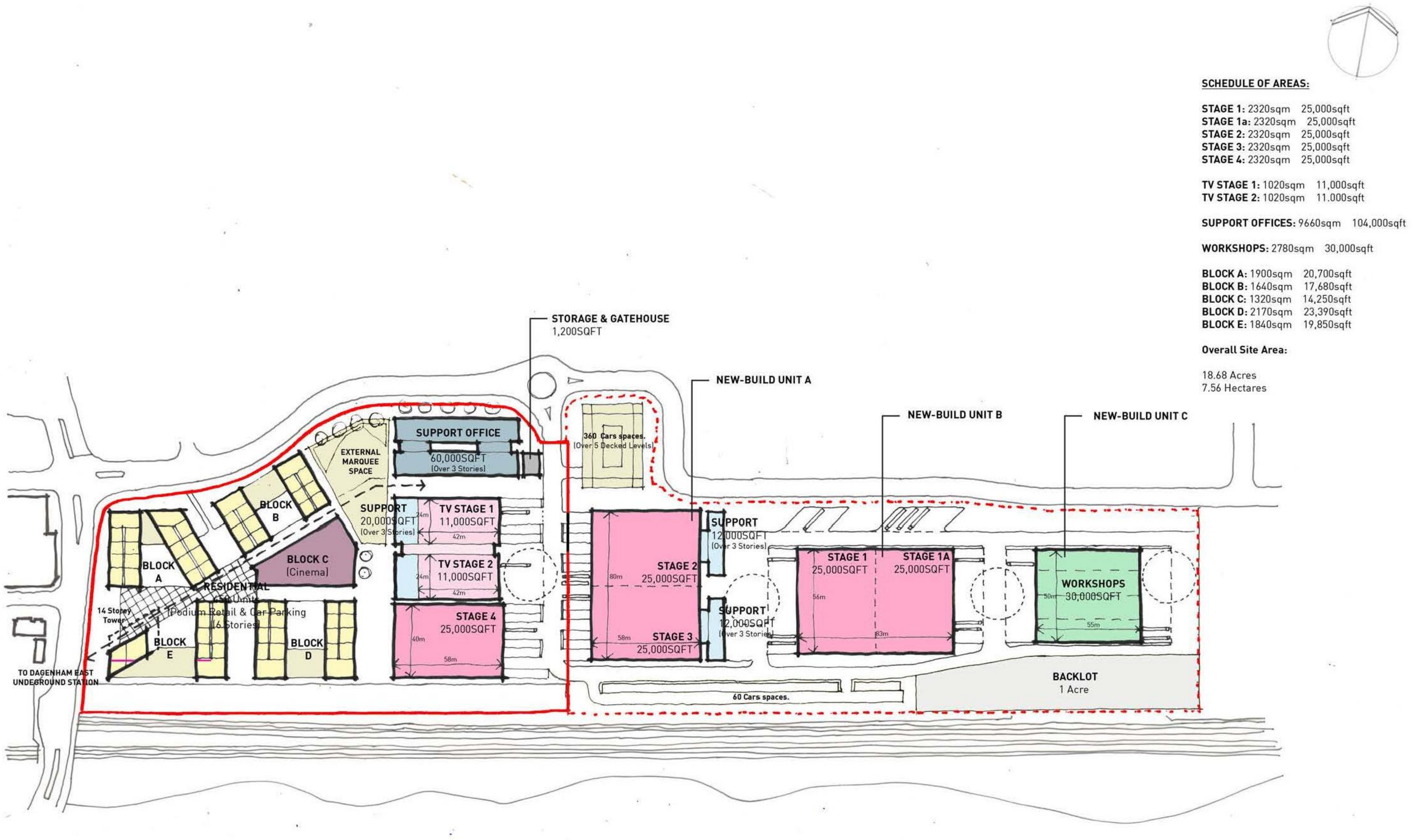
Negotiations are continuing over the land at Dagenham East, and the exact size of the site is still to be finalised, although LBBD already owns nine acres there. However, in order to show what might be possible, two indicative layouts of studio spaces have been drawn up. The total size of the site in these layouts is 18.7 acres. Analysis suggests this is large enough to house:

- At least 125,000 sq. ft of large stages – the minimum capacity sought by many big blockbuster films and high-end TV productions
- Significant TV studio space (22.000 sq. ft)
- Substantial workshop and office space
- Space for lorries to access the key parts of the site (to move sets and large props to stage doors, for instance)

There would also be room for a mixed-use development that could provide community, leisure and retail uses (as well as some residential) to help animate the wider site and, in one of the layouts, a small backlot for outdoor filming.

The two logistics-type warehouses on the back half of the site are very large but as presently configured would need substantial modification to be used as sound stages or as workshop or office space. The alternative layouts therefore show i) the site with the warehouses demolished, enabling it to be configured without obstruction, and ii) a re-working of the two warehouses to studio-related uses, fitting the rest of the layout around them.

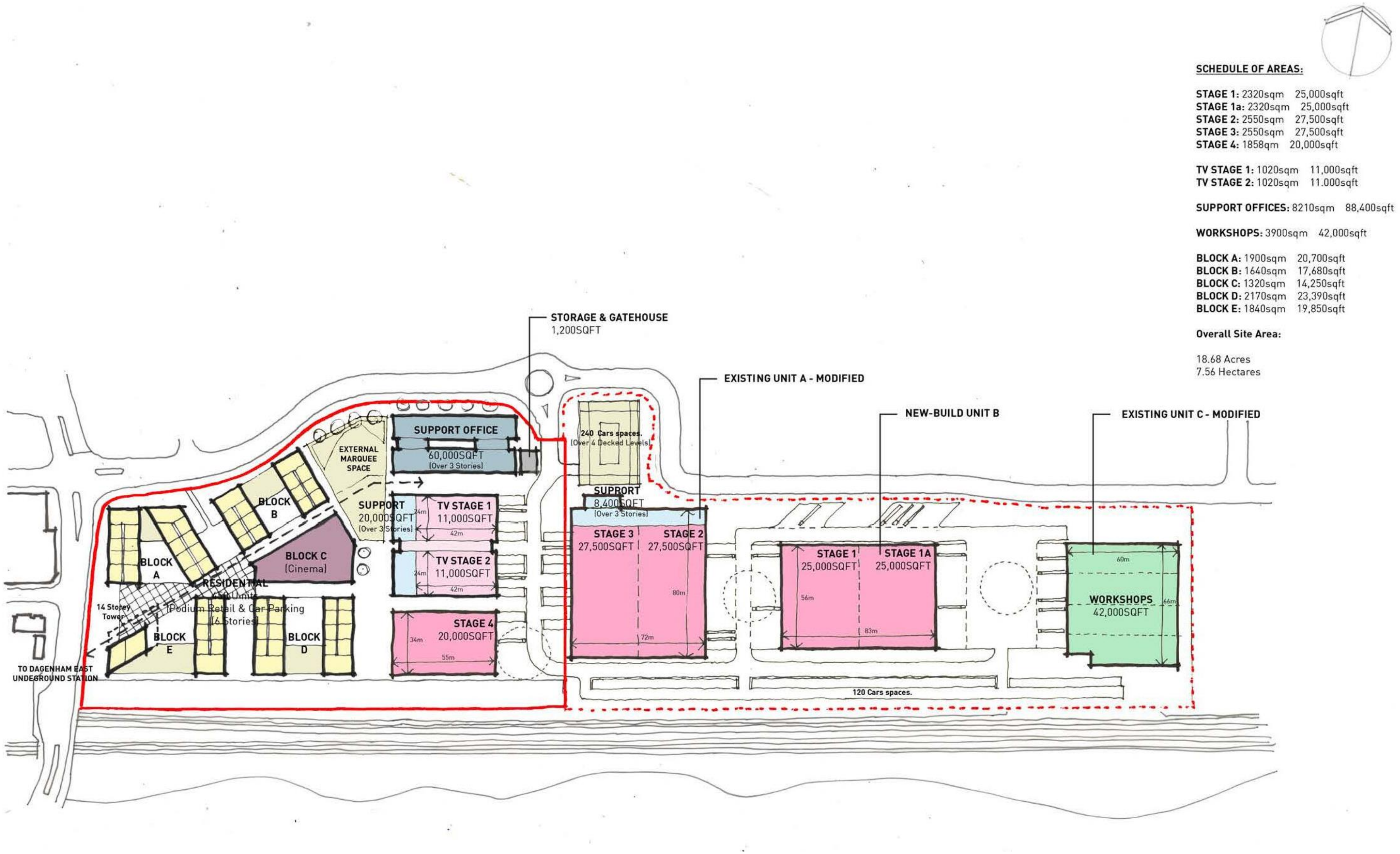
Figure 4-1: Indicative Layout 1: New build, with existing warehousing demolished



Source: ADP Architects

SQW

Figure 4-2: Indicative Layout 2: With existing warehouse units (A and C) retained but modified



Source: ADP Architects .

Backlot

Almost all big studio complexes have a backlot, an area of land outside the stages where outdoor filming can take place in natural light. Such sites need to be secure and either part of, or very close to, the main studio site. One of the indicative layouts includes a small backlot on the site, and LBBD is in negotiations to provide a larger backlot site very near the main studio site. Part of this land already has a secured perimeter and LBBD believes it (LBBD) will be able to create a secure road link between the backlot and the main studio site.

Associated opportunities

The mixed-use development that could be fitted onto the site offers the opportunity to address some of LBBD's wider goals for regeneration. On-site development of training or skills-related facilities would help local residents seek employment in the film sector. Examples of what might be possible include:

- Film schools have already expressed interest in being part of the Dagenham East development and there is the potential for a partner to be found to create, for instance, a film academy locally. There are many different models for this: it could be a University Technical College, or a provider of 'foundation year' education as an introduction to the screen sector. Or it could be a satellite of the film school.
- The site contains sufficient space for a cinema. This might be a 4/5 screen multiplex commercial cinema, but could instead be a mixed arts venue (sometimes called a regional film theatre). These are well-established as a model for community entertainment and engagement: examples in the UK include the Watershed in Bristol, Chapter in Cardiff and the Broadway in Nottingham. Such facilities typically embrace a mix of functions, such as commercial cinema screenings, restaurants and bars, meeting rooms, rehearsal spaces, screen education activities and community arts projects. Such a venue typically requires support from a publicly-funded arts organisation to be viable.
- Another possibility would be to establish a skills outreach office to create pathways for local people to enter the screen sector. This office would work with productions using the studio to encourage the use of interns and runners from the borough. It would also plan other activities where it spots a need. For example, it might run a short intensive course for local painters and plasterers to explain the needs of film production and help them gain places on production crews.

There are also opportunities for Dagenham East to create links with local skills providers. Barking and Dagenham College, for instance, is less than a mile away from the proposed site and has an extensive creative curriculum, with subjects ranging from animation and game design to video production, media makeup and costume design.

Dagenham also offers wider opportunities for developing a potential creative cluster. Many large studios offer space to firms in film, TV or related industries – such firms often like being close to a studio and the film-makers who are their customers. At least one sizeable industrial site near to Dagenham East is capable of accommodating high-density media/ digital employment space.