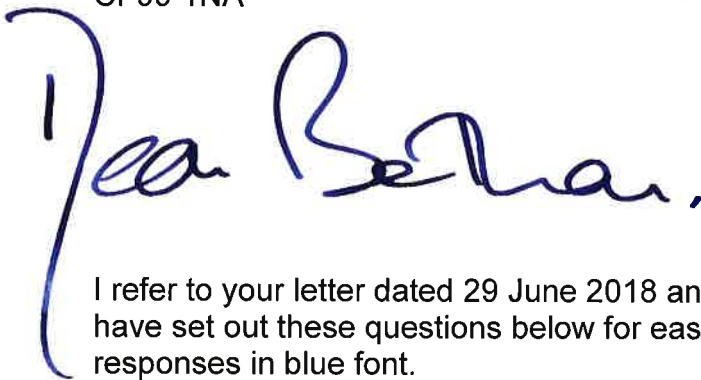


24 July 2018

Bethan Sayed AM  
National Assembly for Wales  
Culture, Welsh Language and Communications Committee  
Cardiff Bay  
Cardiff  
CF99 1NA



I refer to your letter dated 29 June 2018 and the various questions raised therein. I have set out these questions below for ease of reference and have provided responses in blue font.

*The Committee has heard that the **height of the building** used for Pinewood Studio Wales is a limiting factor on the range of productions that can use the site, and that the decision to use this building was solely Pinewood's.*

- Is it true that the choice of this building was solely down to Pinewood?*
- To what extent has the height of the building limited the number of productions that can use the studio?*
- What are the roof heights of Pinewood's other studios?*

As is explained in the Wales Audit Office Report, a search was undertaken by Welsh Government officials to identify suitable sites based on Pinewood's specific requirements. Pinewood shortlisted two sites. Pinewood subsequently identified the former Energy Centre building at Wentloog as the better of the two shortlisted options.

Productions that need to hang lighting from the ceiling will not be able to use the facilities due to the height and weight loading of the roof.

The roof heights of facilities at other Pinewood studios is available on the Pinewood website.

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The Committee has heard that **internal changes in Pinewood** reduced the company's appetite for its role in the collaboration agreement it had with the Welsh Government.

- *Is this an accurate characterisation?*
- *How did the internal changes within Pinewood change the company's desire to partake in the collaboration agreement with the Welsh Government?*

In 2017, Pinewood management decided to end activities relating to fund management and investment advisory services to third party funds. This decision was taken as these activities did not represent Pinewood's core offerings.

The Committee has heard that Pinewood was selected to collaborate with the Welsh Government following its involvement in a **similar media investment fund in the Isle of Man**.

- *What is the current nature of Pinewood's relationship with the Isle of Man Government?*
- *What is the current status of the Isle of Man's media investment fund? Has it generated enough commercial returns to become self-sustaining?*

The agreement Pinewood had with the Isle of Man Government expired in 2017. Pinewood cannot advise on the current status of the Isle of Man's media investment fund for reasons of confidentiality.

*Under the original collaboration agreement, Pinewood managed the **Media Investment Budget** on behalf of the Welsh Government. Paragraph 2.7 of the WAO report states that the original business plan for the Media Investment Budget had estimated that there would be a **Welsh spend** of £90 million, which would represent a leverage ratio of 1:3 in terms of public to private spending. However, in November 2016 the actual ratio was 1:1. In paragraph 2.10 it is noted that Pinewood executives have stated that, based on their records, they project a recoupment ratio of 1:6.*

- *Can Pinewood provide further evidence to back up its estimate of a 1:6 recoupment ratio?*
- *How does Pinewood explain the vast difference between its and the Welsh Government's view on this matter?*

Our records indicate that up to end of October 2016:

Budgets of productions coming to Wales = £75,805,514

Gross funding provided by MIB = £8,178,463

Projected recoupment (as at October 2016) = £6,222,733

Estimated Welsh spend (as at October 2016) = £13,182,150

This represents an approximate 1:6 Funding vs Spend ratio on then projected recoupment.



The Committee heard (from Ron Jones) that the projects submitted by Pinewood to the Media Investment Panel for Media Investment Budget funding in the first year had **too low a chance of being commercially successful**.

- Were these concerns raised with Pinewood by the Welsh Government or Media Investment Panel?
- Can they provide evidence to counter this view?

Current management are not aware of any such concerns having been raised.

The WAO report states:

*Pinewood executives told us that the opening of a new film and TV production studio by **Bad Wolf Studios** (Wales) Ltd in Trident Park, Cardiff, in May 2017 had a detrimental impact on the occupancy of Pinewood Studio Wales. The number of enquiries they received for it had fallen as a consequence, although demand for Pinewood studios within the UK remains strong.*

*Under the original agreement, the Welsh Government signed-up to a five-year **exclusivity agreement** not to build another studio in Wales without Pinewood's approval. The Committee heard that Pinewood agreed to the Welsh Government's support for Bad Wolf Studios.*

- Can they provide evidence that appetite for Pinewood Studios Wales has reduced since the opening of Bad Wolf Studios?
- How can they explain the "detrimental impact" on Pinewood of the opening of Bad Wolf Studios, given that so far Bad Wolf Studios has only been used by Bad Wolf productions?
- Why did they agree to waive the exclusivity agreement so that the Welsh Government could invest in Bad Wolf Studios?

Increased supply arising from the opening of Bad Wolf Studios has impacted on the demand for studio space at the Wentlog site with a reduction in inquiries being received.

As part of the negotiations for the new studio management arrangements, Pinewood agreed to waive any claim it may have had as a result of the breach of the exclusivity provisions under the previous arrangements.

The WAO report states that the Pinewood Wales Studio has a **projected annual revenue of £714,000**. At the previous committee session with the Cabinet Secretary and Minister, the Cabinet Secretary told Members that Pinewood was "operating at capacity".

- Given current levels of activity at the studio, what is the projected annual revenue for the current financial year?
- What revenue has the studio generated since the new Management Services Agreement began in November 2017?
- What have the occupancy rates been in the studio since the new Management Services Agreement began in November 2017?



**PINEWOOD**

Pinewood is not responsible for projecting annual revenue. Given the studio is now owned by the Welsh Government and merely operated by Pinewood on its behalf, questions regarding revenue are more appropriately posed to the Welsh Government. Our records indicate that occupancy rate for Stages 1-3 from Nov 2017 to end June 2018 was 44.12%. The Welsh Government manage the office tenants, so we have no visibility on occupancy rates for the offices.

**Andrew M Smith**  
Corporate Affairs Director