

Andrew M. Smith
Corporate Affairs Director
Pinewood Group Ltd.

3 July 2018

Dear Andrew,

Thank you for attending Committee on 16 May and for assisting us as part of our inquiry into film and major television production in Wales.

As you'll be aware, since the publication of the Wales Audit Office report on the Welsh Government's relationship with Pinewood, we have decided to run a short inquiry into the report and its findings.

As part of this exercise we took evidence from Ron Jones (Founder and Executive Chairman of Tinopolis, Chair of the Welsh Government's Creative Industries Sector Panel and Member of the Media Investment Panel) and the Welsh Government (Cabinet Secretary for Economy and Transport and Minister for Culture, Tourism and Sport) on 20 June.

Following on from this we have a number of questions we'd like to ask (set out below) and would be very grateful for any information you were able to provide.

We would appreciate a response as soon as possible.

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?



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?

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?

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?

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?

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?

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?



Yours sincerely

Bethan Sayed.

Bethan Sayed AM
Chair

