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The Brexit, the media industry and Belgium: Time is running out for policy action

Marlen Komorowski



The UK referendum in June 2016 surprised many. The main concern since then has been the uncertain outcome of the Brexit negotiations. But after the initial shock, European cities gradually realized the opportunities the Brexit encompasses as London-based businesses are looking for new European ground outside of the UK. Governments on various levels take actions to attract these businesses to their cities. And while London's position as European financial capital is currently on everybody's mind, most policy-makers overlook the position of London as *the European media capital*. The Brexit influences London's media industry and some, but not all, major European cities will benefit from that. So far, Belgium has not taken any significant policy actions. The

Brexodus started and time is running out to get a slice of the media industry cake. In this policy paper, Imec-SMIT-VUB researcher Marlen Komorowski, who is currently working on the Media Clusters Brussels project and who analyses media clusters across Europe, provides insights on the Brexit, the media industry and Belgium.

London's media industry

London is widely considered the media capital of Europe. In academic literature, it is described as an internationally recognized media cluster which agglomerates media businesses in neighbourhoods like Soho or the Silicon Roundabout in East London showing significant concentrations of media activities.¹ The UK Government estimates that the creative media industries as a whole comprise of a total of 4.100 companies, which employ around 142.000 people in and around London. Most importantly, London brings together well-known and internationally operating media firms. This includes a whole host of radio stations and internationally distributed newspapers, but London also houses large offices of US-challengers like Facebook and Google. London additionally hosts major broadcasters operating worldwide, such as CNN International, Sky, Discovery Communications (transmitting 85 TV feeds into Europe from London including e.g. Animal Planet) or Walt Disney, which licenses foreign language versions of its channels from London into European countries.² These examples not only show

¹ Komorowski, M. (2017). A novel typology of media clusters. *European Planning Studies*, 25(8), 1334–1356.

² Cf. London's Economic Plan. (2017). London's Media Industry. See: <http://www.uncsbrp.org/media.htm> and Mayes, J. (2017, August 8). Brexit Limbo Leads London Broadcasters to Size Up Amsterdam Digs. Bloomberg.

how important London is for Europe's media industry, but these companies also generate spill-over benefits to other areas (from post-production and technical services to restaurants, housing, tourism, catering, hotels and transport).

Brexit changes everything

London has positioned itself as the media capital of Europe for different reasons. Most importantly London is **the go-to place for media companies to operate in Europe. That is put under significant pressure with the Brexit.** Media companies now have to consider several factors as Brexit will change how they operate in London:

- 1. Uncertainty and destabilization of the markets:** The longer the negotiations of the Brexit take, the longer the uncertainty for media companies in London. And, the uncertainty already has influence on media companies now. This includes the weakened British pound that influences markets for acquisition. Advertisers have less confidence in the UK economy and are cutting back on marketing spending, which media companies already feel. Even though there is a lot of uncertainty, operations have to go on and budgets need to be planned for the upcoming years. Media companies need certainty to plan, so a more secure place for operations seems the right choice.
- 2. Increasing complex regulations:** As the UK leaves the EU, regulations that highly impacted media activities in London will change and the UK has to figure out a lot of new regulations. London's media companies might not get access to the European Digital Single Market. Without EU's Open Border policy, international talent will be hindered to move to London. Additionally, the EU's Country of Origin principle, which is part of the Audio-Visual Media Services Directive, could not be applied for broadcasters in London anymore. This includes the risk that signals broadcast from the UK will no longer be accepted as legitimate in EU Member States through the licensing granted by Ofcom. In turn, this presents legal uncertainty for multinational broadcasting groups. Additionally, the UK will have to adapt many EU regulations that influence the media industry to get access to the EU markets, making regulation for media firms in the UK highly complex. At the same time, the UK will not be able to influence upcoming EU regulations in the interest of local media firms anymore (e.g. the upcoming revision of copyright laws). Media companies can avoid possible regulatory restrictions or bypass complicated regulatory shifts by moving to European ground.
- 3. Restrictions to EU subsidies:** European media industries are highly reliant on subsidies. Through various programs over the past decades, the EU has become a crucial supporter of media activities. London's media companies might, for example, not get access to funds anymore like Creative Europe (including the MEDIA programme, support of independent film production and distribution, and training for European talent) or the HORIZON 2020 research and innovation programs. Conversely, the UK will be free to spend UK subsidies without being restricted by EU State Aid rules. London's media companies now have to decide how important EU funding mechanisms are for them and if prospects of future subsidies from UK sources are sufficient to keep operations running in the coming years.

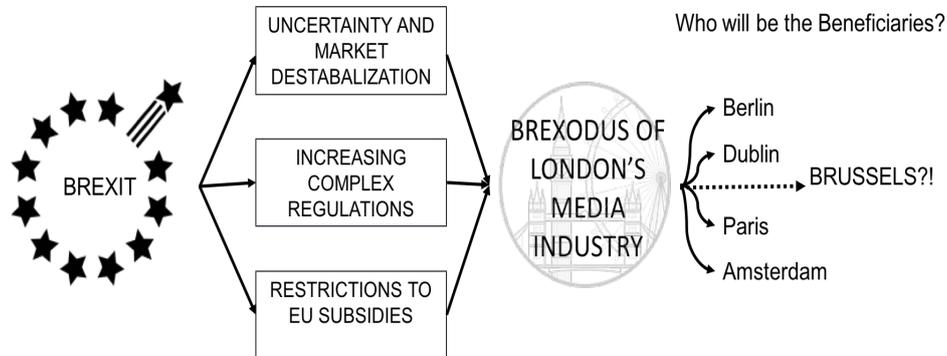
In June 2017, the Expert Media Partners group concluded that UK's international broadcasters will feel the impact of the Brexit already by the end of this Summer and that up to 1,000 TV channels could re-locate from the UK in the next 18 months.³ Bloomberg states that broadcasters in London will decide to relocate their businesses by as early as next spring.⁴ Indeed, the first businesses in the media industry that will react to the Brexit are international media firms looking to build a subsidiary in Europe. London will not be their choice anymore. Bigger media

³ Cf. Expert Media Partners. (2017). Brexit Threatens UK TV Industry in 2017.

⁴ Cf. Mayes, J. (2017, August 8). Brexit Limbo Leads London Broadcasters to Size Up Amsterdam Digs. Bloomberg.

firms located in London, will very soon have to decide to relocate parts of their operations onto the European mainland. Smaller media firms such as independent producers, that are highly reliant on EU access and subsidies, might move operations quite fast. Decisions are being made now and within the coming months.

The influence of Brexit on London's media industry



Enter Europe...

Many European countries already recognized the opportunity to attract London's media industry. We notice that deemed as attractive for London's media companies are The Netherlands with Amsterdam, Germany with Berlin and Ireland with Dublin. That these countries are considered attractive, is largely due to local and national governments' incentives:

The Netherlands and Amsterdam: The Netherlands Foreign Investment Agency (NFIA) under the Ministry of Economic Affairs has been put in charge to attract companies from London through lobbying. The Agency has a bureau in London that has been expanded as soon as the Referendum's results were announced. The Agency actively targets companies from all industries active in the European market, including the media industry in London. But also on the level of cities, steps are being taken. Kajsa Ollongren, Amsterdam's deputy mayor in charge of economic affairs, has been reported to have made already many trips to London and holding talks with media companies that could consider Amsterdam as an alternative business location.⁵

Germany and Berlin: Weeks after the Brexit Referendum, Germany's Free Democratic party run an ad on the side of a white truck travelling around east London reading, "Dear startups, keep calm and move to Berlin" targeting new media firms and start-ups. The stunt was followed in November by Berlin Partner, the capital's marketing agency, running a pop-up lab in Soho highlighting what the city has to offer to start-ups⁶ In Germany.

Ireland and Dublin: Since March 2017, the Broadcasting Authority of Ireland intensely focuses on engaging in talks and networking with international media companies to assess their options in Dublin. The chief executive of the Broadcasting Authority has been put in charge of such negotiations. Already in the direct aftermath of the Referendum, Ireland's Industrial Development Authority, toured the US and China to sell Dublin as the new gateway to the EU. Ireland's Department of Finance started in October 2016 the "Getting Ireland Brexit Ready" programme that involves a couple of state ministries lining out a budget that enables Ireland to best benefit from the Brexit.⁷

⁵ Cf. Stewart, J. B. (2016, June 30). Going Dutch: will Amsterdam grab a slice of the post-Brexit cake? The Guardian and Mayes, J. (2017, August 8). Brexit Limbo Leads London Broadcasters to Size Up Amsterdam Digs. Bloomberg.

⁶ Cf. Oltermann, P. (2016, September 7). Berlin is beckoning to Britain's startups. But will they leave London? The Guardian.

⁷ Cf. O'Carroll, L. (2016, October 17). Dublin exploits Brexit uncertainty to lure firms from London. The Guardian.

What about Belgium and Brussels?

In Belgium things are moving as well. Several working groups have been formed after the referendum last year, including the Belgian “Brexit High Level Group”, the Brexit-Task Force of the FOD Economie and working groups of other institutions like the National Bank. However, most of these groups are focusing on protecting Belgium’s economy in light of the Brexit. In February this year, the Brussels government approved the creation of a working group to deal with the impact of Brexit. Cécile Jodogne, external trade secretary is put in charge. The group aims to position and promote Brussels as an attractive location for financial services, company headquarters and the media among other businesses. Seminars are organized throughout this year in London, as well as Korea, India, Japan and the US.⁸ This might seem promising, however, Belgium is still not on the list of options that UK-based media businesses consider. In fact, several of our contacts in the industry tell us they regret that Belgium and Brussels are not taking a more pro-active stance in this regard.

A series of London’s media businesses will choose to re-locate soon. And while some companies already decided to re-locate elsewhere than Belgium, the country has several assets to attract media businesses today. In sum, there are **three main factors** media businesses look at:

Ease of relocation and connectivity

In today’s globalized media world, media businesses are looking for a location that is internationally connected. Belgium is directly connected to London, via train, car and airplane and can be reached in one hour by plane and under three hours by train. Brussels, and its many train stations that serve direct connections to Germany, France, The Netherlands, the UK is often mentioned in the top 10 European connected cities via airway as well. Additionally, media businesses establish in cities that provide options for easy re-location of staff and operations. Put bluntly: there needs to be fitting office space available and the logistics of moving need to be simple. Moreover, the city needs to be attractive in terms of quality of life. This includes an international environment, the availability of international schools and living space. Brussels’ international environment and the affordable housing prices could be the perfect choice.

Financial considerations

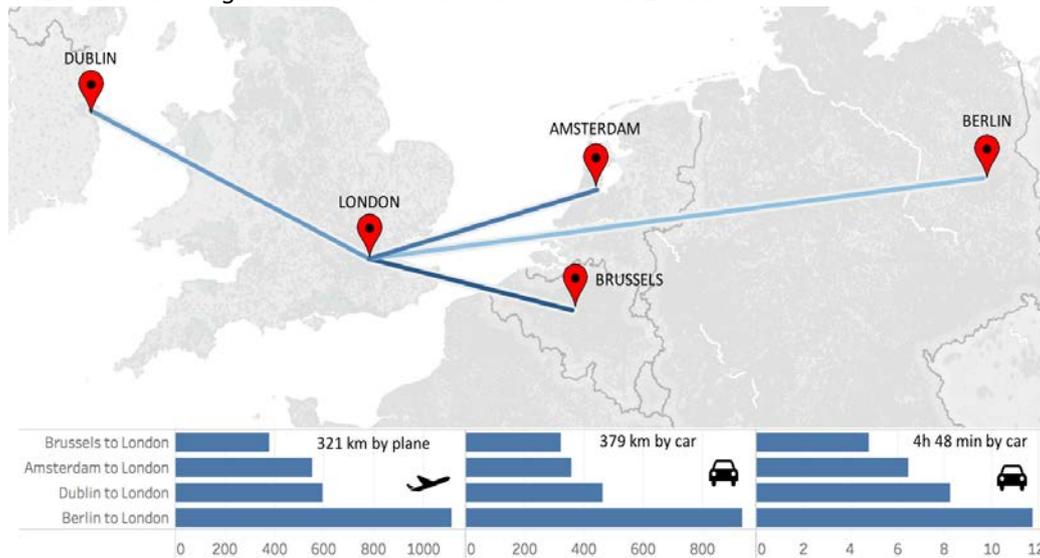
The available office space and logistic considerations also influence financial considerations that are taken into account by London’s media businesses. Local regulations have a strong influence on how media businesses can operate in Europe. A media business-friendly environment is highly important. This includes location of investment sources and potential clients. But also, the ease of dealing with the regulators is important. The Belgian system is opaque for outsiders with its complicated language-based system. This can make media businesses looking to re-locate uneasy to choose Belgium. Additionally, Belgium is widely known as number one when it comes to highest labour costs in Europe. Still, the closeness to the European institutions in Brussels could be the perfect magnet for media businesses that deal with news and that are looking to re-locate.

Growth prospects

The future location of London’s media businesses will have to offer strong growth prospects. Most important are the access to available talent for media businesses and an already stable media industry that gives prospect for new collaborations. Availability of infrastructure is an important asset. This includes access to studios, post-production facilities, and technical transmission providers. Communication structures and local support are key for media businesses. Brussels’ shows already a strong concentration of media businesses. However, Amsterdam is internationally well-known for media businesses and already hosts international players like Netflix and Liberty Global.

⁸ Cf. Haynes, H. (2017, February 27). Brussels region sets up working group on Brexit issues. The Bulletin.

Brussels' strategic location and travel distances to London.



What can be done?

Both Belgium and especially Brussels show strong attracting factors, but there are also several issues: We need to work on these issues and untangle the rather complicated Belgian system for international media businesses and work towards improving some unfavourable perceptions international media businesses might have. While various factors are always at play, one crucial reason Belgium is not considered seems to be the lack of action taken to promote Belgium and Brussels. There are several possible action points that can be tackled now by Belgium's policy makers. Most importantly, these actions should be well-organized, not fragmented and targeted. The time is now.

Action points

1. Establishing a contact point and person in charge to attract media businesses.
2. Creation of specialized working groups (inviting public bodies – e.g. BIPT - that are in charge of media regulation in Belgium) to attract media businesses from London.
3. Establishment of contacts to media businesses that show potential to re-locate.
4. Provision of relevant information to show the benefits of Belgium and Brussels and untangle the Belgium system for them (e.g. making websites more attractive and provide all info in English)
5. Organization of seminars, conference and re-presentation of Belgium and Belgian cities at international media events.
6. Starting of marketing campaigns to promote Belgium as media location.

Researcher involved of the Media unit is **Marlen Komorowski** (marlen.komorowski@vub.be), PhD researcher specialized in media clusters, economic geography and sector analysis. More information can be found on www.mediaclusters.brussels, an Innoviris Anticipate project in collaboration with ULB & USL-B, coordinated by Prof. Dr. **Ike Picone**.

The Media Unit of IMEC-SMIT-VUB consists of 25 junior and senior researchers, specialized in various methods in policy, market and user research and working on specific fields such as national and European media and competition policy, cultural diversity, public broadcasting, sustainability of creative industries, immersive media, data and valorisation, privacy, media literacy and digital inclusion. The unit is headed by Prof. Dr. **Karen Donders** (karen.donders@vub.ac.be).

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