

## We Need To Talk About Subsidy: Television and the UK film industry – a thirty-year relationship.

I want to conclude this panel by taking a broader perspective on the concept of film subsidy, as deployed by Film4 and BBC Films, respectively the film production arms of the UK's major public broadcasters Channel 4 and the BBC. As well as indicating the distinctive features of this model within the economic structure of the UK film industry, the paper will offer some consideration of the kind of film product these interventions has tended to produce. It will conclude with an assessment of the strengths and weaknesses of what I want to call the cultural subsidy model of film production, and raise some general questions arising from the relationship between the film and television industries.

In 2010, having been producing feature films in one form or another for twenty years, the BBC (the UK's unique flagship PSB), produced its first explicit film strategy:

'There are three principal public sector bodies which support film: BBC Films, Film4 (part of Channel 4) and UK Film Council (UKFC) (now merged with BFI)... This set up has provided the British film industry with **stability and plurality** which has been very important in the development and sustainability of the industry over the last decade' (BBC Films Strategy, 2010).

The confidence with which it trumpeted its own role in contributing 'stability and plurality' to the British film industry belied its protracted soul-searching about whether cinema was something the licence fee should really be spent on. Long-held anxiety within the Corporation that the licence levied on every household that owns a TV set should be spent on television content rather than movies the public has to pay again to see at the cinema, characterised the BBC's ambivalence about following the film sponsorship model pioneered by Channel 4 from 1982. But ultimately, a string of successes – including *StreetDance 3D* (2010), *Tamara Drewe* (2010) and *Nativity!* (2009) confirmed the value to the PSBs of feature film investment, not merely to fill the domestic drama schedule, but to sell the corporate brand internationally. And as

far as Channel 4's movie production arm Film4 is concerned, you don't need to look back further than a couple of weeks to be reminded of the benefits of that...

(extract Film4 promo 1min)

Oscar success for Steve McQueen's *12 Years a Slave* (2013) puts the icing on a cake which looks, judging by Film4's newly-released 2014 promo, to be following a decidedly transatlantic recipe. Even Margaret Thatcher's jingoism (guaranteed to rile many Brits) is redeemed by an American actress's star profile! And BBC Film's Oscar-nominated *Philomena* and the Disney co-production *Saving Mr Banks* reflect its own commitment to films with big hearts and Hollywood aspirations. So it seems that the UK's public service broadcasters are increasingly looking not only to support British movie-making talent, but to back projects with American stories as well as more parochial subjects.

Of course, the added value of PSBs' involvement in film production was something which Channel 4 recognized from the outset and you have heard detailed in the previous papers on this panel. Back in 2007 the company reiterated its own commitment to film, not only as part of its PSB remit, but in terms of its brand value:

- Channel 4's filmmaking arm, Film4, ring fences £10 million every year to develop and finance films intended for theatrical release. It aims to have 6-10 films in production each year, and a further 60 in development, with an editorial focus on distinctive, resonant, contemporary British cinema from established talent and emerging stars. **This focus on creativity contrasts with the usual project assessment tools used in the private sector, which evaluate projects in the first instance on the basis of their likely financial performance** (*Next on 4*, 2008).
- The value to Channel 4 (of Film4) is not just 'transmission value' and 'equity return' but **'promotion of the Film4 brand**, the general reputation of Channel 4 and its public value' (Paul Grindey, Head of Business Affairs, Scripted Content, C4, 2009).
- From 2011 Film4 budget increased to £15m.

What do we mean then by subsidy? Why don't we simply call it investment? I think it is important to understand the investment which the BBC and Film4 make annually in UK film production (in the modest range of £11-15m) as a mechanism of cultural subsidy for several reasons.

Firstly, as you have already heard this morning, Channel 4 was established (in the years before the market for UK TV was deregulated) as a publisher-broadcaster, commissioning new content from what was initially a very small independent production sector and a film industry that was on the point of collapse. As David Rose told us in interview, Channel 4 effectively created the independent production sector in UK television, and went a long way to sustaining the British film industry at the time of its lowest ebb.

Secondly, that content, including film, served a cultural remit which for Jeremy Isaacs had 'a socio-cultural provenance and purpose' beyond ratings and financial returns. In other words, supporting films that commercially would not otherwise have found backing. Thirdly, the BBC recognized ultimately, despite its own soul-searching, that its PSB remit placed it in a similar relation to film: one of cultural responsibility.

Next, a key part of this role (by both Channel 4 and the BBC) has been supporting new talent and, by their own admission, invest something in the order of 20% of their annual budgets in development.

This is also subsidy in the sense that apart from a brief and ignominious period in its history, Channel 4 (and the BBC), have not been required to return a profit on their feature film activities. So their film departments are effectively subsidised by television.

A further aspect of the investment in film projects which BBC Films and Film4 share, is that whilst domestic broadcast rights are virtually a given on a licence-fee basis, equity investment varies considerably. Increasingly, it appears that the brand strength of Film4 and BBC Films is sufficient for them to be a minor investor in a co-production deal whilst retaining a large degree of editorial control. This is relatively unusual in a market where he who pays the piper traditionally calls the tune. It is another effect of the prestige of this cultural-subsidy model.

Finally, both BBC Films and Film4 also act in the manner of mini-studios in their husbandry of project from development right through to sales and distribution

Yet despite what the PSBs may have achieved for British film culture in recent years, in conjunction with state lottery funding and tax relief, the claims of 'stability and plurality' appear somewhat exaggerated. The Coalition Government's Film Policy Review (under the auspices of Lord Chris Smith), which reported in 2012, preferred to use the word 'dependency'.

The report offered a grim analysis of the UK's independent film sector. It opined that:

'The traditional business model for UK film production companies is economically inefficient and structurally defective because it repels rather than attracts investors, except on a project-specific basis...

'One of the consequences is that the UK's independent producers are heavily dependent on public funding, as they usually find it impossible to attract investment to companies rather than individual projects.' One of the declared aims of the Film Policy Review was in fact 'to reduce the overall dependency on public funding and encourage producers to attract more investment into their businesses; this means seeking ways for producers and filmmakers to retain or acquire more of a financial stake in their films, ultimately resulting in a more consistent flow of culturally British films for the enjoyment of audiences'.

Yet over the past twenty-five years, the only consistency – or stability - in the British film industry has been provided by the safety-net of the PSBs, in combination with UKFC and European finance sources, insulating fledgling producers from exposure to the reality of market forces.

Whilst the Smith Review welcomed 'the current practices by BBC Films, Film4 and the BFI which maximise the use of the Film Tax Relief for the benefit of the independent UK film sector by promoting recoupment of the Relief as producer equity', the report was also candid in requiring television to do more to support UK

film, a view echoed, especially in the case of the non-terrestrial services of BSkyB, by Working Title CEO Tim Bevan:

‘Look at what Studio Canal and Canal Plus do for the French film industry. It’s absolutely criminal that **Sky** have this license to print money at the level that they do and that they don’t have to make any form of a proper commitment to British film. It’s culturally unacceptable.’

DCMS Film Policy Review:

‘The Panel recommends that the Government initiates immediate discussions with each of the major broadcasters – the BBC, ITV, Channel 4, Channel 5 and BSkyB – with the aim of agreeing a Memorandum of Understanding with each broadcaster setting out its agreed commitments to support British film. Should this approach prove unproductive, then the Government should look at legislative solutions...’

The threat of ‘legislative solutions’ compelling broadcasters on the one hand to screen an agreed proportion of British films and on the other, exacting from them a financial levy to directly support the film industry, are nothing new (and have long been part and parcel of the relationship between television and the film industry in other European countries). Indeed, those same proposals were aired by the committee under Lord Annan whose 1977 report paved the way for the establishment of Channel 4. Yet successive governments of varying political persuasion have been unwilling to intervene directly, preferring to let a combination of market forces and public service responsibilities encourage, rather than require, broadcasters to support film. This ambivalence about the scale and responsibility of broadcaster subsidy is shared by some in the industry itself.

One former head of Film at Channel 4, David Aukin, brought the spectre of chance into the equation, though quite how one pursues a policy based on luck is unclear:

- ‘When I read Chris Smith’s report and all the previous reports on the film industry, the one word which is always omitted, it’s a four-letter word, it’s called luck. **You need luck.** And it’s not an industry like making cars, or

manufacture, where there's a need for it. There is no need for a British film. The world would survive without British films; the cinemas don't need British films. You need luck to break through the barriers, you know. And that informed my policy from the beginning.'

Bob Pisano (President of the MPAA (2005-2011), is perhaps more candid in highlighting the value of risk:

- **'This is a risk business** – make no mistake about it. When you take the risk out of it, sometimes you destroy the very creativity that is the defining and differentiating factor. I always get nervous that what comes out of subsidies are products that don't have the creative edge. And in this society, where the customer or consumer is going to decide what they want to watch more and more, and marketing will become less and less a factor, **I think subsidies could hurt the business.**'

Speaking at a British Screen Advisory Council conference in 2007, Pisano's view (which perhaps has become characterised as a Hollywood view) of subsidy, was echoed to some extent in the caution expressed by representatives of Film4 and BBC Films about the value of broadcaster subsidy:

- 'If you are going to ... effectively require people in the media business to subsidise film, you have to do it right across the media – you can't single out individual players.... **I think there is a role for subsidised public service content; but I don't think that broadcasters should be the sole supporters of this.**' (Peter Carlton – Senior Commissioning Executive [Film], Channel 4).
- 'I agree with Peter, you have to be very careful about putting all your subsidy eggs in the broadcaster basket.... We did a study of the UK films that were made over the last five years ... that had broadcaster financing in them – about 15%. **So, if you are really counting on broadcasters to be the major drivers behind film, it would [require] a seismic shift.**' (Jane Wright – Head of Rights and Commercial Affairs, BBC Films).

This steady-as-she-goes endorsement of the status quo on the part of Film4 and the BBC should not be interpreted, I think, as fear of new competition in what is a small UK market. Rather, it acknowledges that a culture of broadcaster-dependency could be damaging to the fragile mixed ecology of the UK film landscape, perhaps having the effect of deterring private capital investment in independent British film production at an infrastructural level.

So what have been the effects of the limited cultural subsidy model which Film4 and BBC Films have pursued in terms of stimulating UK independent film? Paul Grindey, former Head of Commercial Affairs at Film4, reiterates Film4's specific role:

- 'Film4's brief is to help sustain the British independent film production sector – so we develop most of the projects and also break in new talent. For us there's a process of engaging new writers, breaking in new directors, overseeing the production process, then distribution.'

And this role has proved successful in the long term in establishing a number of independent film producers, from Working Title to DNA Films and Warp, and launching the careers of a number of important writers and directors, from Hanif Kureishi and Richard Curtis to Danny Boyle and Shane Meadows.

The roster of success for both PSBs is impressive, even in backing difficult films which haven't done so well outside the UK market. Yet challenges remain. One of them is precisely the need to break independent films in the US in order for them to succeed at home. This is a paradox not lost on Tessa Ross, Controller of Film and Drama at Film4:

- 'It's so interesting to me that the big films – the films that have success – have success almost all the time on the back of a successful US release, which means that **a UK film-going audience are influenced more than anything by American success.** Which is depressing. And how can we change that? Well we understand British television – maybe there is something we should be doing differently that we're not yet doing. But we do need to keep asking that question.'

While her opposite number at BBC Films, Christine Langan, outlines the painstaking process of support (which she calls journeyman help) British independents require in order to stand a chance of success outside the domestic market. In this case, she refers to *In the Loop*, a feature-film spin off of a highly successful TV political satire *The Thick of It*.

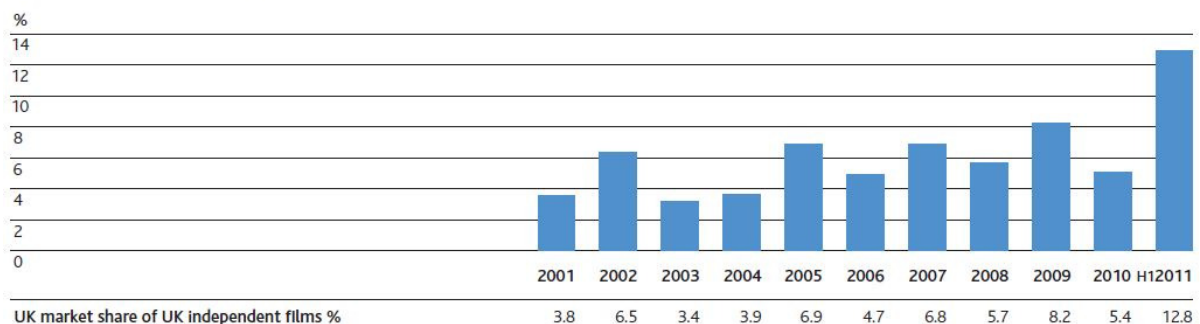
- ‘The fact you’ve got this film which in itself is an international brand and we’ve got a pedigree of our own, the fact that we’re going out there saying, let’s talk to you about the process, here’s what’s going to happen, you know and you can give them comfort, you can get them over that barrier of doubt and also you can work significantly via our lawyers and what have you with private equity to help bridge gaps. That’s how that film [*In the Loop*, 2009] got made and of course in Studio Canal, or Optimum as it was then, when they got it they were very happy to get it into the business and worked well with it, but it wasn’t always clear, you know you needed **the journeyman help.**’

And because the UK industry is structurally small, because, as David Aukin reminds us, there is no commercial need to make British films, breakout successes (even of a modest kind) often flatter what is a tiny market share. The dependence upon a small number of high grossing titles is a particular significant finding here. The market share can be massively skewed by the success of a particular title in any given year, as the following table extracted from the review shows:

### Market share of UK independent films

The UK box office share of UK independent films varies from year to year and is highly dependent on the performance of the top two or three titles. The share shows a slight upward trend over the decade to 2010. Top UK independent titles in 2010

were *StreetDance 3D* and *Kick-Ass*. The top UK independent title in 2009 was *Slumdog Millionaire*. Boosted by *The King’s Speech*, the box office share of UK independent films increased to 13% in the first half of 2011.



UK market share of UK independent films %

Sources: (1) BFI Statistical Yearbook 2011, p. 15. (2) <http://www.bfi.org.uk/filmtvinfo/stats/H1-2011-Box-Office-Report.pdf>



Not for nothing was Chris Smith's 2012 policy review entitled 'It begins with the audience':

- Despite the success of some high-profile British hits in recent years, the audience across the UK still gets to see too few British films, especially independent British films and too few films from the rest of the world apart from ever popular Hollywood blockbusters. **This is reflected in the low market share of independent British films at the box-office – which averaged 5.5 per cent between 2001 and 2010 ...** [T]he distribution and exhibition of independent film in particular suffers from market failures, in addition to those affecting the production of culturally British films (*A Future for British Film*, 2012)

And there is an air of exasperation about his committee's Film Review update published in January 2014, entitled 'It's still about the audience':

'In broad public policy terms, the picture remains similar, despite all the change. We are very strong in attracting substantial inward investment in movie-making here, frequently for Hollywood blockbusters. Our tax relief provisions are attractive (though this is becoming globally more competitive), and we have an enviable pool of skills and talent that can be drawn upon. We remain less strong, however, in the smaller-scale independent sector, where despite the excellence of our independent film-makers, they still all too often struggle to get their movies financed, distributed, and seen. UK independent films' market share of the UK theatrical market, despite showing an upward trend in the last twelve years, averages only 6% over that time; it is also largely dependent on a small number of high grossing titles each year. Increasing the market share for independent movies, and helping the independent sector to make its way in the world, was at the heart of our 2012 Report. It remains at the heart of our approach now.'

The gloomy conclusion seems to be that the PSB subsidy model may enable independent films to be made that otherwise would not be (and is certainly a highly successful seed bed for new film-making talent), but the price that is paid for this cultural support seems producing films that British people don't much want to see.

Such a view casts film in the mould of other subsidised arts which are the preserve of a cultural elite – an exclusive practice which other European countries (notably France) are able to defend by dint of their culture and language. But British audiences love film. Is it the case that they don't go to see independent British films, or that they don't get the chance to see them? Now perhaps a new flexibility in release patterns and the growth of VOD in the multi-platform environment will afford new opportunities for these films to reach an audience and circumvent the distribution stranglehold which largely governs what multiplex cinemas show. Recent initiatives by Film4 in this regard have been promising. Let me offer one example by way of illustration.

In 2005 Channel 4 entered into a partnership with the independent Sheffield-based film producer Warp Films. They derived financial support from the UKFC and brokered a distribution deal with the UK arm of Studio Canal. Their slate of 10 films which came to an end in 2013 included Paddy Considine's directorial debut *Tyrannosaur* (starring Peter Mullan and Olivia Colman).

The titles enjoyed relatively modest domestic success, but the significance of the initiative was in providing a route for young directors like Ben Wheatley (whose second feature *Kill List* was a WarpX project. He went on to make the Film4s *Sightseers* (2012) and *A Field in England* (2013). The latter was the first feature to be developed and fully financed through Film4's innovation hub Film4.0 and also benefitted from a simultaneous release on DVD, VOD, TV and in cinema, demonstrating Film4's efforts to be imaginative in its approach to selling low-budget films. It was 'one of the first to receive funding from the BFI's New Models Distribution Fund strand, which was set up to support experimental and ambitious release models... *A Field in England* was conceived as a film which would be funded, shot, edited and distributed in a way that challenges traditional models and sets out to break the mould. A digital masterclass designed to immerse audiences in the making of the film was also launched around release, developed by Film4.0 in partnership with the filmmakers'. The Film4 discourse around this was itself fascinating.

- ‘Ben is undoubtedly one of our boldest, brightest **and most audience savvy filmmakers** and so it made complete sense to look to develop a project with him that would lend itself to this kind of daring and innovative release. We’re lucky to have found in Picturehouse Entertainment, 4DVD, the Film4 channel and BFI partners who share our vision **to disrupt the status quo and experiment with new distribution patterns**, to create this exciting event style release.’ (Sue Bruce-Smith, Film4’s Head of Commercial and Brand Strategy).
- ‘**We’re proud to have an intimate understanding of our audience**, as are Film4, which is what makes this collaboration so exciting. Our eagerness to explore and experiment with new platforms of distribution in an evolving film landscape makes us all the more thrilled to be able to get this innovative film out there to the audience it so readily deserves.’ (Clare Binns, Director of programming and Acquisitions, Film4).

So it *is* about the audience after all...!

To conclude:

- The UK’s PSB cultural subsidy model has key strengths in talent development and journeyman help for independent film-makers, in showcasing British film internationally (with domestic box-office rewards), and in working with other agencies (UKFC, BFI, distributors, festivals) and new technologies (digital initiatives, VOD) in facilitating better access to British film, beyond the ‘art house’.
- There remains much to do in growing the UK market share for British film (5%) where 1 in 3 films have no distribution 2 years after completion.
- Is encouraging (compelling?) other broadcasters to finance film production (as the Smith Review recommends) the answer?
- Can TV subsidy enrich a film culture by affording to take risks that conventional business models would not?
- Or ultimately, does cultural value = box-office returns?

The debate continues...