



DEPARTMENT FOR CULTURE, MEDIA AND SPORT

BRITISH FILM INDUSTRY

Government Response to the Select Committee Report on the British Film Industry Session 2002–2003

*Presented to Parliament by the
Secretary of State for Culture, Media and Sport
by Command of Her Majesty
November 2003*

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GOVERNMENT RESPONSE TO THE SELECT COMMITTEE REPORT ON THE BRITISH FILM INDUSTRY

Introduction

The Select Committee's report on the British film industry is a welcome addition to the debate about the future of the industry. It acknowledges both our national appetite for film – 176 million admissions last year, the highest since 1971 – and our flourishing film industry, with its highly-skilled and internationally respected workforce and world-class studio facilities at Pinewood, Shepperton, Ealing and elsewhere. The UK has both an enviable film-making capacity and public enthusiasm for the results.

The Government is committed to a vibrant British film industry. British films are able to reflect, explore and challenge our history, culture, beliefs and values, and help us reach a better understanding of our culture and its place in the world. Without Government support, (through fiscal means, de-regulation and direct support for training and education), the British film industry would struggle to grow and far fewer British films would be made and seen in the UK and abroad.

The Government's overarching policy for film was developed in the Film Policy Review, which resulted in the publication, *A Bigger Picture* in 1998. The report recommended that there should be better co-ordination of public support for film. As a result, the UK Film Council was set up in April 2000 to give greater clarity and coherence to the landscape for public support for film in the UK.

In its first three years, the Council has made impressive progress. Firstly, it has re-focused production support (through the Premiere Fund, New Cinema Fund and Development Fund), without which international successes like *Bend it Like Beckham*, *Gosford Park* and *The Magdalene Sisters* might never have been made. It has also established the Regional Screen Agencies (which support film development, production, education, training and film culture in the English regions) and developed the First Light initiative (which enables young people to make digital films).

The Government's priorities for film for the next twelve months are threefold. One, to review the fiscal incentives for film, and in tandem, carry out a root and branch review of international film co-production treaties in a bid to ensure they are bringing real cultural and economic benefits to the UK. The Committee makes several recommendations in its report on this issue.

Two, the Government is committed to working with the film and other creative industries to tackle the threat of piracy and abuse of intellectual property rights. The law was strengthened in 2002 to deal with copyright piracy, including raising the maximum penalty to an unlimited fine and up to 10 years in prison. We also promote campaigns to raise public awareness.

But there is more to do. The film industry estimates that it loses between £200 and £400 million each year on pirated DVDs being sold before films are available to see in the cinema. The Government is now considering what it might do on an inter-departmental basis to help all our creative industries, including film, protect their intellectual property rights and combat piracy.

Third, the Government is committed to supporting the training needs of the film industry. We were particularly encouraged to see the UK Film Council and Skillset, the Sector Skills Council for the audiovisual industries, launch a ground-breaking £10 million a year training and skills strategy. *A Bigger Future* is geared to making sure that the British film industry maintains its competitive edge in a highly competitive global industry.

The Committee notes several other areas where it would like to see quicker and more substantial progress made, such as the role of the broadcasters in supporting the film industry, and the operations of the British Film Institute. These concerns are articulated in the Committee's key conclusions and recommendations, which are listed below with the Government's response to each of them.

Summary of Conclusions and Recommendations

1: We recommend that, in reviewing the tax regime for film production within the UK, the Government assesses whether there is a case for the introduction of new terminology to assist the classification of films according to country of origin distinguishing cultural content and financial provenance. (From paragraph 13)

Government Response

The Government agrees with the Committee that there is a need to review the system of film classification and certification in the context of international co-production. That is why the Government announced recently the establishment of a working group, including representatives from Government, the UK Film Council and industry, to investigate this area and make appropriate recommendations.

2: The film industry is an important national cultural and economic asset with significant further potential. We regard the existing level of tax relief for film production as absolutely essential to the health of the industry. (From paragraph 85)

Government Response

The Government welcomes the Committee's recognition of the British film industry's economic and cultural importance. The establishment of the UK Film Council in April 2000 indicates the Government's commitment to a sustainable British film industry.

Tax is a matter for the Chancellor of the Exchequer, and the representations of the UK Film Council and the industry about the future of Section 48 relief will be considered as part of the Budget process.

3. More people go to the cinema in the UK than go to football matches. (Paragraph 33)

Government Response

The Government welcomes the Committee's recognition of the importance of cinema in people's lives.

4: We recommend that the Government commits to an evolution of Section 48 relief, without further sunset provisions, along the lines proposed by the UK Film Council and the British Screen Advisory Council (publishing the BSCA study for consultation on the detail as soon as possible). Lead times for decisions about inward investment are long, therefore the Government must end the current uncertainty plaguing the industry, must do so in a positive manner and needs to do so as quickly as possible.

Government Response

As we have indicated previously, tax is a matter for the Chancellor of the Exchequer, and the future of Section 48 relief will be considered as part of the Budget process. Nevertheless, the Government recognises that there is a significant time-lag between making an investment decision and making the film, and we seek to resolve this issue as swiftly as possible.

5. We would like to see increased levels of support for film production and exhibition of British product from the public service broadcasters. We recommend that this be done in cooperation with the broadcasters in the first instance. (Paragraph 114)

Government Response

The Government agrees with the Committee that effective co-operation between the public service broadcasters and the British film industry is important for the long-term health of the film industry. That is why the Communications Act 2003 requires OFCOM to take account of the broadcasters' contribution to film as part of their public service remit.

All public service broadcasters (the BBC, Channel 4, ITV, Channel 5 and S4C) will have a joint responsibility to contribute to the general public service broadcasting remit embodied in the Act. The public service remit covers a range of issues, including education, international issues, current affairs, and cultural activity in the UK.

OFCEOM's review of public service broadcasting, to take place 12 months after commencement of the relevant provision in the Act and thereafter no less frequently than every 5 years, will include consideration of whether cultural activity in the UK and its diversity are "reflected, supported and stimulated by the representation in those services (taken together) of drama, comedy and music, by the inclusion of feature film in those services, and by the treatment of other visual and performing arts." OFCEOM have begun work on their initial review and expect to conclude it in the late autumn of 2004.

OFCEOM will not be empowered to establish quotas or quantitative obligations for individual broadcasters to produce or broadcast feature films.

6. It is unclear to us how BSKyB can be required to pay equal prices for Hollywood blockbusters and smaller British films as they represent different commercial prospects. We would, however, welcome support for the British film industry from BSKyB as a wise long-term investment in content which must be in that company's interests. (Paragraph 115)

Government Response

Decisions about the commercial prospects of Hollywood blockbusters and smaller British films are for the broadcasters themselves, but we would wish to note that there are relatively low budget British films which have generated considerable revenues abroad (for example, *Bend it Like Beckham* and *28 Days Later*).

It is very much in the interests of all the public service and satellite TV broadcasters that there is a consistent flow of high quality product for transmission on the small screen. The Government welcomes the fact that the UK Film Council and BskyB are currently discussing this issue, and looks forward to hearing both sides of the debate in due course.

7. In evidence to the Committee on the BBC's annual report and accounts, the Director General, Mr Greg Dyke, was almost cursory about the BBC's approach to investment in British films. There was little to suggest that the BBC had a serious strategy. Mr Dyke could not even decide whether the £10 million put aside for film investment was the subject of serious discussion or simply as much as Mr Alan Yentob could extract from the BBC budget. We urge the BBC to review its approach and level of commitment to feature film production, in consultation with the UK Film Council, given the significant comity of interests in this area. (Paragraph 116)

Government Response

The Government recognises and welcomes the BBC's valuable contribution to the British film industry, both in terms of support and training, and the very fine films it has backed, including *Mrs Brown*, *Dirty Pretty Things*, and *The Mother*, written by Hanif Kureshi.

Nevertheless, we agree with the Committee's recommendation there should be a frank and open debate about the extent of the BBC's involvement with the film industry. One forum for this debate will be through the review of the BBC's Royal Charter. This review will provide an opportunity for Government to consult with interested parties, including the film industry, on all aspects of the BBC.

8. We hope and expect that these hopes will not be disappointed and that Ofcom will be able to take meaningful action to improve the relationship between the British film industry and the public service broadcasters to the benefit of the British people's enjoyment of, and access to, film. One avenue will be through the Statements of Programme Policy required from the broadcasters. (Paragraph 117)

Government Response

The Communications Act requires that, in reviewing and reporting on public service broadcasting, OFCOM must give specific consideration to the role of feature film within public service television. The Government is already in discussions with OFCOM about this. The public service broadcasters' Statement of Programme Policy will be the principal means by which they can communicate to OFCOM their strategies for film.

9. We recommend that Skillset, in coordination with the Department for Education and Skills, look specifically at the business skills training that is provided and fill the gaps in the system where necessary. (Paragraph 125)

Government Response

The UK Film Council and Skillset announced on 10 September the launch of *A Bigger Future*, a ground-breaking £10 million a year training and skills strategy geared to making sure that the British film industry maintains its competitive edge in a highly competitive global industry.

An important element of this 5 year strategy is the creation of a new film business academy to raise the level of business skills, leadership and effective management in the areas of film production, distribution and exhibition throughout the UK. The Government very much welcomes this innovative and challenging strategy, which shows that the British film industry is serious about its own long term sustainability and future potential.

10. The training and development strategy set out by Skillset and the UK Film Council is an impressive wish list of welcome developments. We believe that it strikes the right notes, particularly on equal access, business skills and cooperation with the industry. We look forward to receiving regular reports regarding progress with its implementation. (Paragraph 133)

Government Response

The Government welcomes the Committee's recognition of this very important initiative, which, for the first time, puts in place a strategy for training and skills for the British film industry. The Government will have an important role to play in monitoring progress with the strategy's implementation over the coming months.

11. The Government's key priority should be the speedy and positive resolution of debate over the future of the Section 48 tax relief. (Paragraph 152 a)

Government Response

Tax is a matter for the Chancellor of the Exchequer, and the representations of the UK Film Council and the industry about the future of Section 48 relief will be considered as part of the Budget process. The Government notes the Committee's concerns that the issue is resolved as soon as possible.

The Government agrees with the Committee that there is a need to re-examine the system of film classification and certification in the context of international co-production, and has recently announced the establishment of a working group to investigate this area and make appropriate recommendations.

12. The UK Film Council has made a very positive start and must be supported by the Department for Culture, Media and Sport, and the Government as a whole, so that impetus is not lost. This includes adequate funding for the wide range of tasks with which the Council is charged. (Paragraph 152 b)

Government Response

The Government recognises the importance of the UK Film Council's work and its considerable impact in its relatively short life. The Government is grateful to the Committee for its helpful recommendations in this area, and will keep the level of funding for the Council under review to make sure it has adequate resources to deliver its objectives.

13. A cohesive approach is needed between those parts of Government that have interests in, or responsibilities for, promoting the British film industry in both its impact as a magnet for inward investment and its role as an important window on Britain and British culture, history and society for the British people and the wider world. (Paragraph 152 c)

Government Response

The Department for Culture, Media and Sport together with the UK Film Council is working closely with other Government Departments to identify how best we can work together to meet the industrial and cultural needs of the British film industry.

A key priority for Government and the film industry is to tackle the global threat of physical and digital piracy, which is having a serious impact on all our creative industries, including film. Digital piracy could increase significantly in the UK and globally over the next couple of years as broadband technology becomes more widely available and more sophisticated. The Government is now considering what it might do on an inter-departmental basis to help all our creative industries, including film, protect their intellectual property rights and combat piracy.

14. We welcome the positive start made by the UK Film Council to its various tasks. It has a wide range of responsibilities and must balance carefully the need to make progress in each area with the risk of spreading its limited funding too thinly. (Paragraph 152 d)

Government Response

The UK Film Council has achieved a great deal in its relatively short life, including the establishment of *First Light* to introduce children and young people to all aspects of filmmaking; the establishment of a network of regional screen agencies, which distribute lottery money to support filmmaking, training, education and film culture; and leading (in conjunction with Skillset) the development of a ground-breaking training and skills strategy. The Council operates at arm's length from Government, and it is for the Council itself to make decisions about how it prioritises its resources.

15. The UK Film Council has made a convincing case for its approach to revitalising the British film industry in terms of the need for continued but evolving film tax reliefs, including a new focus on distribution. (Paragraph 152 e)

Government Response

The Government is taking the views of the UK Film Council into account in its consideration of the future fiscal landscape for the film industry.

16. We also accept that the role of the public service broadcasters in relation to investment in British films and their exhibition should be tackled as a priority. (Paragraph 152 f)

Government response

As noted above, the Government agrees that the public service broadcasters play a vital role in the support and development of the British film industry. Training and skills are important aspects of the contribution that public service broadcasters can make to the film industry, as there is a natural synergy between their operations, for example in terms of crew, actors, studios, post-production, etc.

OFCOM has been charged with giving specific consideration to the role of feature film within public service television and with promoting training by broadcasters. However, OFCOM is still in the process of being set up and its first priority will be to set the licence condition for the public service broadcasters. One such condition is that all licence holders will be required to develop an annual People Development Plan (PDP) to be submitted to OFCOM at the start of the operating year, which directly relates to their overall business objectives and needs.

The public service broadcasters' Statement of Programme Policy will be the principal means by which they can communicate to OFCOM their strategies for film.

17. We recommend that the UK Film Council engage actively with the bfi to clarify the most effective working relationship for meeting their objectives; both shared and complementary. (Paragraph 152 g))

Government response

The Government agrees that an effective working relationship between the BFI and UK Film Council is paramount for delivering a prosperous and sustainable film culture in the UK. The NAO report, 'Improving Access to, and Education about, the moving image through the British Film Institute', published on 11 April 2003, showed that the BFI's objectives and activities are consistent with the UK Film Council's strategic objectives in relation to promoting the widest possible enjoyment and understanding of cinema.

However, the report called for greater clarity in how the UK Film Council and BFI work together, and so the Council revised its own original objectives, in discussion with the DCMS, which should promote greater working relations between the two organisations.

Moreover, the changes to the senior management team at the BFI, namely a new Chairman and new Director, have given the BFI the opportunity to undertake a fundamental strategic review of the whole of the BFI. A DCMS and UK Film Council representative sit on the Steering Committee for the review, and the results of the review are due to be shared with Government more widely at the end of this year.

18. The bfi set out its dual role as guardian of a physical collection of, in our view, unparalleled importance and as a motivator of new and demanding audiences for the films that the UK Film Council is determined to encourage in the future. These are both crucial tasks which merit adequate resources and commensurate scrutiny to ensure that effective progress is being made. (Paragraph 152 h))

Government response

The Government welcomes the Committee's recognition of the very valuable role the BFI plays in supporting the development of a sustainable film industry by stimulating and harnessing interest in film and film culture, as well as promoting film in education.

The UK Film Council is responsible for the public funding of the BFI. The Government agrees with the Committee that the Council should keep the level of funding for the BFI under review to make sure it has adequate resources to deliver its objectives.

19. The bfi should take the lead within the UK film and TV archive community and champion the whole sector, particularly the regional archives, alongside safeguarding its exemplary reputation amongst international peers. An over-arching national strategy promoting both good curatorship and increasing accessibility should be vigorously pursued. (Paragraph 152 i))

Government response

The Government welcomes this recommendation, and, in light of the BFI's national status, believes that it is right that the BFI should take the lead within the UK film and television archive community. It encourages the BFI to take a leading role in the development of a national audiovisual archive strategy.

As the Committee knows, the BFI is undertaking a comprehensive review of all its activities, and its National Archive is a priority area for the review. The Government expects that the BFI will take this recommendation into account as part of its review, and would like to see greater links between the national and regional film and television archives.



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