

## **The future of the British Film Industry**

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**By Ed Vaizey**

### **CHECK AGAINST DELIVERY**

Today I want to set out our plans to build on the success of the British film industry.

The industry has enjoyed significant successes in recent years. UK box office takings reached a record-breaking £944 million last year, and will almost certainly break the £1 billion barrier this year. UK films grossed \$2 billion at the box office worldwide.

The BFI's 54th London Film Festival earlier in the year showcased some of the very best the UK has to offer, from Danny Boyle's 127 hours to Tom Hooper's The King's Speech.

This year also saw Stephen Frears' Tamara Drewe and Nigel Cole's Made in Dagenham, both great critical successes. Harry Potter 7 has just put in a record opening weekend performance of 18.3m at the box office. This is a record for any British film, and indeed any film ever, in the UK market;

Pirates of the Caribbean 4 is being filmed here in the UK - when the first three were not – another sign that the industry is doing extraordinary well.

And I was delighted when WarnerBros announced earlier this month their decision to make a £100 million investment in Leavesden. That is a fantastic vote of confidence, and the first Hollywood studio to be built outside Hollywood in a century.

But despite this success, we cannot be complacent. The goal of a sustainable, independent British film industry remains as elusive as ever. We need to try and find ways of leveraging the wealth of creative talent in this country, the technical expertise, the great writers and actors who emerge generation after generation, the proliferation of fertile, gifted entrepreneurs.

I recognise change is always difficult and I know the last few months have created uncertainty as we have engaged widely with stakeholders on how best to move forward. But I believe the proposals I am setting out today will help us to begin to address some of the endemic problems within the industry.

### **The New BFI**

We need a new strategic body to oversee the future development of film in this country. On this basis, I'm pleased to announce today that the BFI will be in charge of delivering the Government's policy for film. They will be appointed as the distributor of Lottery monies for film; they will be in charge of the certification of the cultural test for the film tax credit; Media desk; and support for film in the nations and the regions.

The BFI has a long history as a cultural institution protecting our film heritage. It has an internationally recognised brand. It runs the fantastic London Film Festival which gathers the best of the British film industry as well as a vast range of commercial organisations. It has successfully led the UK-wide film heritage programme, involving all the stakeholders in all the Nations and Regions. It has the breadth and depth to support excellence and high quality film, while also developing audiences for British films, through its distribution and exhibition arm, which already services more than 600 venues, from remote screenings in the Highlands and Islands of Scotland to the Imax in London.

Today's decision will be the start of a new page rather than a simple development in the Institute's history. The BFI will change fundamentally. It will become more open to partnerships with others, more engaged with the nations and the regions, more able to realise an exciting vision of a coherent, joined up film industry. These plans will involve a renewed BFI Board and senior management structure reflecting the BFI's new responsibilities. Current board vacancies will be filled quickly, following an open process run by the BFI.

I am also delighted to confirm that we will increase Lottery funding available for film from the current £27 million a year to £43m by 2014 – a significant increase in funding of more than 50 per cent - which demonstrates this Government's commitment to film. It's important to be clear as well that there will be no gap in Lottery distribution as we transfer the UK Film Council's responsibilities to the BFI. I also want to reiterate that all existing commitments will be honoured, and that Lottery money will continue to support important industry training bodies such as Skillset and First Light until March 2012.

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### **Tax Relief**

Of course, the key element of support for the British film industry is the film tax credit. Although it has been in place for many years, there have been bumps along the road. It is only in the last few years that we have got it right, and it is now working exceptionally well. I am conscious that continuity and stability in the tax credit is vital to maintain industry confidence.

I want to make it crystal clear today that we intend to maintain the film tax credit, which is worth over £100million each year to British Film. We have already begun to work on the re-notification process to European Commission, as we are technically required to do. We will also make sure that the views of those accessing the credit and completing the cultural test are taken into consideration as we re-notify the scheme.

### **Creative England**

Although the BFI will have a key role in promoting and supporting the film industry in the Nations and regions, I also want to build on the success of the Regional Screen Agencies. For ten years the Regional Screen Agencies have supported filmmakers and filmmaking across England, as well as developing new audiences for cinema. But they recognise that eight separate Agencies, each with its own administration and back-office costs is no longer sensible or sustainable.

They will now re-configure themselves as a single national body, Creative England, chaired by John Newbigin, with three hubs in the north, Midlands and south. These will continue to support new talent and new businesses wherever they are located, building on their intimate knowledge of the cities and regions in which they have been based. They will engage with the industry to ensure that the views of the sector are properly taken into account.

The BFI will establish strategic partnerships with Creative England, Film London which will remain outside the Creative England structure, and with the film agencies in the Nations – Creative Scotland, the Film agency for Wales, Northern Ireland Screen - to ensure that public funding – Lottery and where relevant grant-in-aid - continues to support film in the Nations and the regions.

And because over the last ten years the RSAs have grown their client base from film and TV to a wider spread of creative businesses, including interactive games and music, and because each of them has begun to develop their own particular specialisms and expertise, this new structure offers the possibility of more focused support for a wider range of businesses;- helping small companies grow, helping new talent establish itself and mobilising public and private investment to grow England's creative industries.

### **Broadcasters**

Lottery support and the tax credit are not the only ways the public sector contributes to supporting film. I am delighted that Channel 4 announced earlier this year that they would increase their investment in films by 50%, to £15m, for the next five years. The BBC supports British film to the tune of some £12 million a year. I look forward to the forthcoming publication of the BBC's film strategy which will confirm the strong role the Corporation intends to play in the production of British films. Public service broadcasters are playing a great role in bringing high quality British content to wide audiences.

I also strongly believe Sky should seriously consider investing in the production of British Film. As one of the country's most innovative broadcasters, it would bring a new dynamic force to the table, which would lift everyone's game.

### **Backing British film campaign**

I want to continue to encourage other parts of the private sector to support British film as much as they can. I am therefore delighted that Odeon is announcing today a series of proposals to support the industry. They will reward Odeon Premiere Card holders with additional points every time they go to see a British Film; use their website to promote British films; and become a regular source of online information for British Film fans, including ODEON's recommended "British Film Of The Month". They will also consider giving guaranteed on-screen support to a British Film Of The Month, with a view to showing a wider choice of British films as a result.

### **Digital Technology**

In converting to digital technology, the cinema sector is experiencing its most significant change in perhaps 80 years. While this offers huge opportunities, we know it also represents a significant financial challenge to a large number of small independently-run cinemas across the country. That is why I am delighted that - with the support of the major cinema operators and studios - the industry is seeking its own solution through the UK Digital Funding Partnership. Recognising the social, cultural and economic value that many of these sites provide for their local communities, the Government very much supports the work of the Partnership in seeking to ensure that no cinema is left behind during this momentous change.

### **Moving Forward**

A new BFI, increased funding from the Lottery, the establishment of Creative England, an increased commitment from Film 4 and the BBC, support from Odeon, a Digital Funding Partnership - these are all good news stories. But this is the beginning of a process, not the end.

### **Review of Lottery**

In the New Year, I want to maintain the momentum of change and renewal. There are a number of ideas that need to be considered properly. The British Screen Advisory Council (BSAC), the Film Distributors' Association and the Cinema Exhibitors' Association, to name but a few, have all contributed to a debate on exhibition and distribution.

PACT has come forward with a series of proposals, in particular the "locked box"; the reduction in the length of the licence period to 5 years; and a new 'use it or lose it' provision under which rights would revert to the producer if the broadcaster was not using its broadcast rights.

I am aware that these proposals present some challenges, but they are an extremely interesting way forward that we need to consider very carefully. So, in partnership with the BFI, we will take forward a review of how the Lottery distribution and recoupment policy can better contribute to a sustainable industry.

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## **International functions**

Finally, I want to set out our proposals for inward investment and export promotion.

Before I do so, I want to address one issue. Some people think there are two film industries in this country – the US film industry, and the UK film industry - and that somehow one side's success is dependent on the other side's failure.

I do not share that view. I believe that the two industries are two sides of the same coin.

We benefit massively from Hollywood's investment in this country. Continued investment in major productions has sustained organisations such as Pinewood, Double Negative and Framestore. It has provided employment for thousands of people. It has sustained a huge amount of technical expertise that is as good as any in the world. It has helped us become one of the leading centres for visual effects.

Hollywood investment promotes British characters, British stories and British talents on the world stage and gives our culture, our history, and our values to an international audience.

And the people I meet from Hollywood have actually been in this country for decades – people like Josh Berger from Warner Bros, Barbara Broccoli and many more.

So I make no apologies for saying that I want to maintain that investment. We've been helped recently by a favourable exchange rate. But we also have the infrastructure and the talent to continue to attract inward investment. Last year inward investment from international film makers brought in over £780million to the British economy. That's the highest total ever. We expect this contribution to be even higher this year.

The Office of the British Film Commissioner, and particularly its branch in Los Angeles, has done a fantastic job in convincing US studios to bring their films to the UK, in what has become a very competitive world market.

Today I'm pleased to announce that Film London will be responsible for promoting the UK across the world as the best place to invest in film, in a public-private partnership with the industry.

I want to be absolutely clear that Film London's remit will be about promoting the whole of the UK. Film London will set out the details of their approach very shortly, including how governance arrangements can ensure that Nations and regions' views are fully represented, and that industry plays its due role in contributing strategically and financially to the promotion of inward investment.

Film London will work with UK Screen, the Production Guild, Pinewood Studios and many others to ensure an industry led approach. I think it's a remarkable example of industry players coming together quickly to take up the challenge we set this summer – in hard times, they have been working together to ensure that the US studios continue to invest in the UK as a world class destination to make films.

I also want to mention the other side of the international picture.

Creative exports, such as British film and television, make up an important and vibrant part of our economy. They will continue to be an important source of growth and prosperity in the years ahead. That is why I am pleased that BAFTA, the BFI, Film London and BBC Worldwide are working together to build on their existing capacities and connections to explore showcasing and promoting British films to the entertainment industry in the US, the world's largest market for media and entertainment services. This will be a good development for UK film and it is industry led.

This work will make use of BBC Worldwide and BAFTA's reputations, marketing expertise, local presence and local knowledge. BBC Worldwide, for example, already delivers around 10% of the UK's creative exports. It has a team in LA and will be able to assist British filmmakers in showcasing their work to key distributors in the American market. This complements other industry-led work to support British films in key European and BRIC markets, like the work currently led by PACT and UKTI.

## **Conclusion**

What I have set out today offers an exciting new vision for the British film industry:

We will have one lead body for British film – a new BFI - responsible for heritage, for education and for supporting the production, the distribution and the exhibition of new British films;

British film will be supported by a substantial increase in Lottery funding, as well as enhanced support from Film 4 and the BBC; major companies like Odeon are now coming forward with proposals to support the British film industry further;

We will maintain the invaluable tax credit and certification unit, to build on the huge overseas and domestic investment that has been stimulated in the industry;

We will have a new network to support film in the regions – Creative England – with three major centres in the north, Midlands and the south;

We will have a refreshed inward investment offer, led by Film London, in partnership with the industry, and an enhanced industry-led export offer supported by BAFTA and BBC Worldwide;

And next year we will maintain our commitment by examining new ideas to help British film companies build sustainable organisations.

The BFI, UKFC and Film London will start due diligences immediately and work together to ensure a smooth transition. Early in the New Year they will publish a transfer plan setting out a clear timetable for the various activities to be moved across. All stakeholders – in particular the staff, and all Lottery and certification applicants – will have clarity in advance on when the various transfers will take place. This plan will ensure that there is no gap in the service provided to the film industry.

I intend to continue my close working with the industry. As my final announcement, I am delighted to confirm that I will be establishing a Ministerial Film Forum, which will meet under my chairmanship for the first time in January and thereafter every six months, to take forward in a collaborative fashion issues of key concern to the industry.