



The UK film industry and the film policy review

Westminster Media Forum Keynote Seminar

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Section 1

How does the “UK film” sector perform?

Section 2

What does the film policy review suggest is the problem, and what should be done?

What are the issues raised by the film policy review?

Section 3

A suggested focus going forward?



Summary

The UK film sector



UK indie film box office share growing, and significantly so in 2011...

- This may be at the expense of US indies rather than the major US studios
- Over the last 20 years UK indies have had just 6 truly global, breakout 'hits' out of a total of just over 2,600 films* produced (a strike rate of approximately 1 in every 430 films)
- The UK remains a centre for offshoring production for the US studios
- Successful UK independent films occur on average roughly every 3-4 years, but with significant 'lean' spells where there is no breakout 'hit' UK indie film
- When they do succeed, talent (directors and producers) tend to gravitate towards Hollywood (or the US writ large) and/or bigger budget projects
- The UK has not managed to establish a sustainable, truly indie "studio" over the last 40 years of policy intervention

* Note: not including a further 2,400 micro-budget films i.e. less than £500,000 budget)

The UK film sector

UK box office is still growing – but definitions are important



Trends

Some important distinctions need to be made when discussing ‘the UK film market’, as many analysts and commentators only consider either UK independent film production, or a combination of UK indie, and US studio films made in the UK

What is the UK film market?

- Films **shown** in the UK
- Films **made** in the UK
- Films that **reflect UK culture** and/or made by UK independent companies

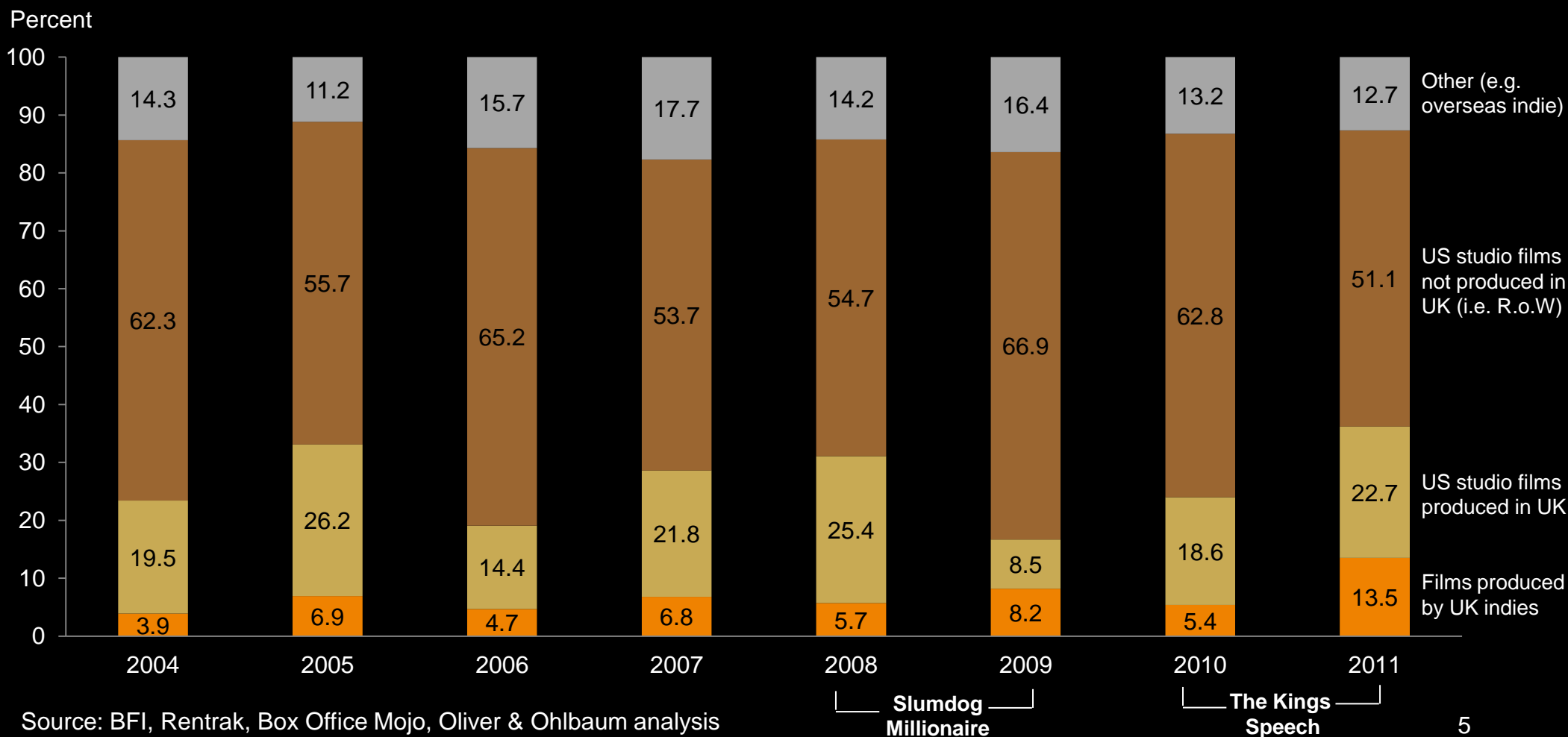
The UK film sector

Four key components of UK box office



UK indie film share has grown since 2004 (and significantly in 2011) but often this is as a result of individual successes. The share of UK produced studio films fluctuates more (8.5% in 2009; 26.2% in 2005). Non-UK indies are losing share

UK box office by source of production; 2004-2011



The UK film sector

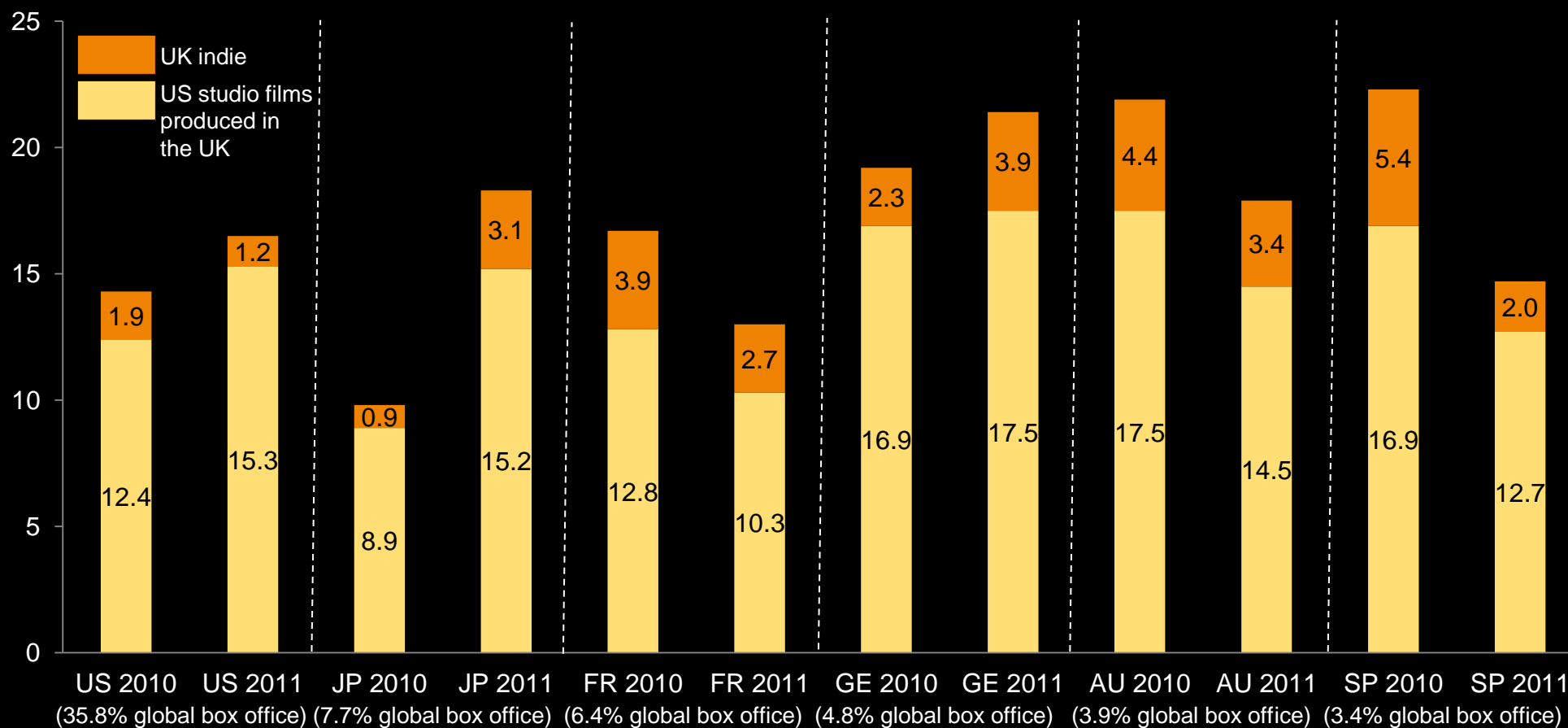
UK indie film share remains relatively small overseas



Whilst 2011 has been an outstanding year, it bears repeating that the contribution of the UK independent film sector to global box office remains relatively small in comparison to the contribution of US studio films made in the UK

UK indie and US studio film box office share, US, Japan, France, Germany, Australia and Spain; 2010-2011

Percent



The UK film sector

What happens to globally successful UK filmmakers?



Trends

Considering the 6 UK global breakout ‘hits’ of the last 20 years, we have to ask what happens to the UK talent behind these successes. In most cases they gravitate towards Hollywood and/or bigger budgets. Is this not success for the UK?

Chariots of Fire - 1981	\$59m US	Director: Hugh Hudson	Director: Greystoke (Warner Bros) - 1984
	\$21m R.o.W	Producer: David Puttnam	Director: Revolution (Goldcrest Films) - 1985
Four Weddings and a Funeral - 1994	\$52m US	Director: Mike Newell	Producer: P'tang, Yang (Goldcrest Films) - 1982
	\$193m R.o.W	Producer: Tim Bevan	Producer: The Killing Fields (Goldcrest Int'l) - 1984
The Full Monty - 1997	\$46m US	Director: Peter Cattaneo	Director: Donnie Brasco (Mandalay) - 1997
	\$212m R.o.W	Producer: Ulberto Pasolini	Director: Pushing Tin (Fox) - 1999
Billy Elliot - 2000	\$22m US	Director: Stephen Daldry	EP: The Hudsucker Proxy (Warner Bros) - 1994
	\$87m R.o.W	Producer: Jonathan Finn	Producer: French Kiss (Fox) - 1995
Slumdog Millionaire - 2008	\$141m US	Director: Danny Boyle	Director: Lucky Break (FilmFour) – 2001
	\$237m R.o.W	Producer: Christian Colson	Director: Opal Dream (BBC Films) - 2006
The Kings Speech - 2010	\$139m US	Director: Tom Hooper	Producer: The Closer You Get (Redwave) - 2000
	\$275m R.o.W	Producer: Ian Canning	Producer: Emperors New Clothes (FilmFour) - 2001

Summary

The film policy review



Trends

The film policy review believes that there is a market failure in the provision of UK film – and that this worth addressing...

- Possible solutions, in order to create a sizeable and sustainable indie production and distribution sector include:
 - the redirection of public funding and tax break benefits to leading, successful UK producers and distributors, and
 - helping to secure more outlets for UK films (via UK broadcasters and overseas promotion),
- A focus on developing skills, and stronger enforcement of copyright infringement are also recommended within the review

The film policy review

Our summary



Trends

ASSESSMENT

PROPOSALS

A. UK audiences prefer UK indie films, and they add to the cultural value of the UK

Is this about market failure...

... or is it just the way it is?

B. The market underprovides for this demand, mainly due to the scale advantage of US films in their home market

C. The UK should remain an attractive place for the US studios to do business

D. Web 2.0 should help open up the global market for UK films – but piracy could threaten all film investment

1. Broadcasters should show more UK films

2. Direct funding to UK indie films should remain (both for R&D and production)

3. Expand global reach through co-production agreements and support initiatives

4. Allow rollover of funds for successful UK independent filmmakers

5. Tax breaks should remain – but benefits should flow more to producers and distributors than UK investors

6. The skills base in the UK should be nurtured and developed as much as possible

7. Strong enforcement of copyright infringement is required both within the UK and globally

8. It should also be easier to show copyright material legitimately, especially orphan works and niche material



The film policy review

Is there a market failure and can it be resolved?



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These propositions appear to be ones that suggest that some sort of systematic market failure is arising... how true is this view, or is it just a fact of life to be accepted?

How much more do UK consumers value UK film and is that enough to justify intervention?

**What about the performance of UK films overseas, in the US especially?
Can this be systematically addressed?**

Will co-production deals and partnerships, British film week and other initiatives really tip the scales far enough to sustain and develop the British film industry?

The film policy review

What is the role of public funding and tax breaks?



Trends

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These recommendations focus on building a financially successful sector, but what are the costs and benefits of redistributing funding towards UK indie producers and distributors?

Regardless of policy intervention, won't a majority of successful filmmakers end up working in Hollywood and/or working on US studio productions in the UK? Is that not UK success?

Summary

A focus for the future?



Trends

The UK could just focus on being (1) a “greenhouse” for Hollywood (and, perhaps, Silicon Valley), and (2) a good, cost effective place to make studio films...

- Can the UK really compete with Hollywood by attempting to replicate the studio system?
- We have a proven track record of developing talent which can succeed in Hollywood – continuing to act as a “greenhouse” producing innovative output, people and ideas would continue to benefit the UK whilst operating within the dominant global film system
- Hollywood has an unrivalled ability to distribute content globally and profitably
- Betting against Hollywood has proved unsuccessful for the last century – today Silicon Valley is best placed to rival it (but don’t bet on its demise)
- If the UK – rather than competing with Hollywood – aimed to supply output, talent and innovative ideas to Silicon Valley and Hollywood, would that not be considered success?

A focus for the future?

Can Hollywood be beaten or bested?



Trends

Taking on Hollywood has been attempted – unsuccessfully – too many times for people to forget their history lessons, and believe the hype... but if anywhere could mount a serious challenge, it would be Silicon Valley

The succession of Hollywood dynasties: 1900-present

	Hollywood 1.1 (Thomas Edison) 1900-1913	Hollywood 1.2 (Adolph Zukor) 1900-1949	Hollywood 1.3 (Lew Wasserman) 1949-1964	Hollywood 1.4 (VHS then DVD) 1975-present	Hollywood 1.5 (Ted Turner) 1976-present	Hollywood 1.6 (Rise of Netflix) 1997-present	Hollywood 2.0 (Gen. YouTube) 2010-present
Core business	Manufacturing cameras/film equipment (Edison patents)	Real estate – production and distribution integrated (birth of studio system)	Advertising and promotion – TV drives promotion – the summer blockbuster and foreign films remain	Consumer electronics – studios tried to restrict VCR (it became the main revenue source – quality falls)	Cable – physical wiring laid the ground for ‘narrowcasting’ – a race to the bottom in production costs	Streaming – Hollywood was up in arms, but in 2010 streaming revenue passed DVD revenue (content is king)	User-generated content
Target demographic	Professionals and prosumers	Mass audience	Couch potatoes and cineastes	Consumers	Advertisers	Consumers	Peers
Killed	When patents expired in 1913	By United States vs Paramount Pictures (1949) banning ‘block booking’ (selling multiple movies to theatres as a single package)	Still alive, if not robust - coexists with subsequent iterations of Hollywood	Still alive, though in its dotage in its current format – DVD – which is fighting for its life under threat from digital formats	Still kicking, but YouTube and other user-generated content platforms are slowing it down	Not yet, but individual content creators (HBO via HBO Go, for example) still control Netflix’s fate	Anyone can make a decent independent film – narrowcasting at a whole new level – the race to the bottom of production costs continues apace
Driven by	Hardware and infrastructure	Content	Content	Hardware and infrastructure	Hardware and infrastructure	Content	Content

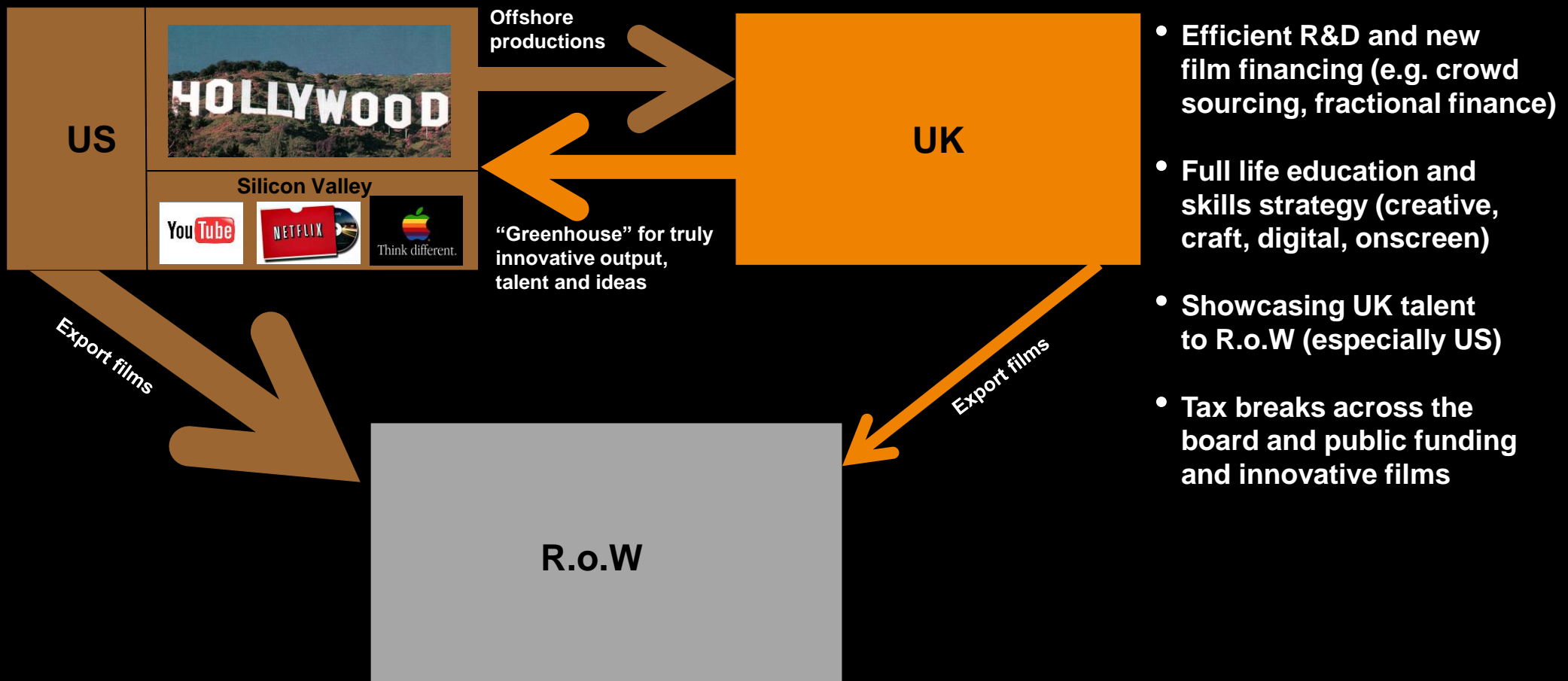
Source: gigaom, Oliver and Ohlbaum Analysis

A focus for the future?

How could the UK film industry best complement and co-operate with the US system?



Trends



Stay in touch

Where and how to find us



Trends

Next: Get Creative: Make The Most of The Global Opportunities For The UK's Creative & Digital Sectors

**When: Thursday May 17th 2012 at BSAC
(contact andrea.toth@oando.co.uk for more details)**

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