



Communications and Digital Committee

Corrected oral evidence: A creative future

Tuesday 8 November 2022

15.40 pm

[Watch the meeting](#)

Members present: Baroness Stowell of Beeston (The Chair); Baroness Bull; Baroness Featherstone; Lord Foster of Bath; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Baroness Rebuck; Lord Vaizey of Didcot; The Lord Bishop of Worcester; Lord Young of Norwood Green.

Evidence Session No. 13

Heard in Public

Questions 111 - 118

Witnesses

I: Carolyn Warren, Director-General of Arts Granting Programs, Canada Council for the Arts; Professor Hye-Kyung Lee, Professor of Cultural Policy, Kings College London; Dr Martin Smith, Managing Director, West Bridge Consulting.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Carolyn Warren, Professor Hye-Kyung Lee and Dr Martin Smith.

Q111 **The Chair:** We now move on to our second panel of witnesses today. This is our inquiry into the future of the creative industries. As I said at the beginning of this afternoon's hearing, the second panel is focusing on international comparisons and where new international competition is facing the UK creative sector. I ask our three witnesses to introduce themselves and say which organisation they are associated with.

Professor Hye-Kyung Lee: I am professor of cultural policy at CMCI at King's College London. I work on cultural policy and the creative industries in general and specifically in South Korea. I find this inquiry timely and interesting, so I am glad that I am making a contribution to it.

The Chair: We are very pleased to have you.

Dr Martin Smith: For the purposes of this session, I represent myself.

Carolyn Warren: Good afternoon from the city of Ottawa. I am the director-general of the arts granting programmes at the Canada Council for the Arts.

Q112 **Baroness Rebuck:** Thank you all for being here. Most of our evidence in this inquiry to date has pointed, as the Chair has said, to growing competition in the creative sector, which is obviously a very dynamic global environment, and technologies are clearly driving change and convergence. I would like to come to Dr Martin first. You have written to us arguing that although the UK has been a leader in the creative industries for the past couple of decades, you are not quite sure whether that will be the case in future. In fact, one of our previous witnesses rather felt that that decline had already happened. It would be interesting if you could expand on that notion while at the same time, on the slightly more positive side, telling us what policies you have seen internationally that you believe have been most impactful on the growth of creative industries, from which we here could learn.

Dr Martin Smith: It is absolutely clear that many other countries take this sector very seriously. This was evidenced again a few weeks ago at the World Conference on Creative Economy, held in Indonesia, where 27 countries from the developing world were represented at ministerial level.

I want to establish a context regarding policy objectives and what the prize is here. The creative industries are the growth story of our age. Because of that, a lot of countries seek to get a bigger chunk of a growing pie. The technical way of describing that is to talk about the global market for cultural goods and services, which is growing fast. The benchmark study of that was done in 2010 by UNCTAD and the UNDP, an astonishing report at the time, which showed that this global market had been growing at 10% to 14% a year from 2000 to about 2010. It grew all the way through the global financial crash, by the way, when the rest

of the world's economy went down by 10%, 12% or whatever it was. So this was an extraordinary story.

To contextualise my answer, the stats on this growing market, very conveniently for the committee, were reproduced only six weeks ago in *Creative Economy Outlook 2022*, published by UNCTAD. I shall give you one or two headlines from it. The prize for all countries is to gain an increased share of this market. In the 2022 stats, let us distinguish between goods and services. In goods, by which I mean textiles, carpets, jewellery, tangibles and so on, the number one exporter by a country mile is China; then in second place you have the US, third is Italy and the Brits are at number seven. But in the market for services, which is seven times bigger than the market for goods—it is a \$1.1 trillion market—the US is out in front and we are at number five.

You might say about those stats that the UK punches at about its weight, but actually the story is much better than that. If you move to different kinds of stats—DCMS stats and industry trade association stats—and drill down to subsector level, you will find that many of our creative industries are punching well above their weight. I shall give you two examples. First, we are the second biggest exporter of TV formats in the world after the USA. Secondly, and this is a particularly interesting example, you have the case of the music industry. I do not think that the committee has discussed the impact of Covid a great deal. I want to mention the music industry here because, again, we are number two in the world behind the USA, but that performance was severely damaged by Covid. As a result of Covid, the economic contribution made by our music industry fell in GVA terms by 46%, from a record £5.8 billion in GVA to £3.1 billion in 2020. Exports, which are what I want to focus on, suffered a drop of 23%. Putting Covid aside, I am trying to indicate that if you break down the creative industries by sector, we have some amazingly successful industries.

In passing, I want to say that the question of cultural exports is where we need to focus. It is the key to understanding what is driving other people to get a bigger chunk of the cake.

Chair, you asked for an example of impactful policy responses from other parts of the world. I find that quite difficult to answer because there are such huge differences in political economy and institutional arrangements between China, let us say, which is full of state-owned companies, where the state basically acts as conductor of the whole thing; the USA, which is entirely private sector-driven; and, more interestingly, the mixed cultural economies of Europe, and I put the UK in that category.

I will highlight one specific category of intervention that is very important already and will become increasingly so: fiscal incentives, of many kinds. The best-known example in the world is film industry tax credits. Some 112 countries have them. It is slightly an exceptional case because tax credits in the film industry are specifically about attracting inward investment for domestic film production in an industry where capital is highly mobile. They are unquestionably important, and in the UK they

have been colossally important since 2007 in generating inward investment.

I will give a different example—

The Chair: I am conscious that we want to hear from the other witnesses too. We have other questions that will play into some of these specific examples. I do not want to cut you off in your prime, but I just wondered whether that answer was sufficient.

Q113 **Baroness Rebuck:** Yes, because what I am hearing is that that the UK is punching at its weight but could do better. Fiscal incentives are certainly one of the policy opportunities that we can look at later. There are other questions where we will come back to Dr Smith.

I turn to Carolyn. I remember some 20 years ago—this follows on from the point about fiscal incentives—asking a Canadian cultural figure why so many Canadian writers were dominating the international bestseller lists and winning all the prizes. This person said it was due to government cultural investment outside the private sector. Given that our landscape today is much more complex, with the transformative impact of technology, I will ask you the same question. We have seen the Creative Canada policy network, which is extensive and complex. Out of that network, what in particular do you believe is driving and growing the Canadian cultural industries and Canadian exports—to go to Dr Smith's point?

Carolyn Warren: Perhaps I should start with a piece of context surrounding the Canada Council for the Arts, because the conversation about the creative industries is much broader than the remit or the mandate of the council itself. We are part of a funding ecosystem of Crown corporations that are at arm's length from our Department of Canadian Heritage. We fund very specifically the arts as they have traditionally been understood in the European context. Our sister portfolio organisations, including the Canada Media Fund, the National Film Board of Canada—which many of you will be familiar with—the newly minted Indigenous Screen Office and Telefilm Canada, along with the Canada Council for the Arts, support the range of creative industry activities in Canada. I want to make sure that I remain within my immediate—

Baroness Rebuck: It is absolutely fine if you answer the question within the context that you feel confident of giving us insight into.

Carolyn Warren: I just wanted to make it clear that we are a small piece of this very large pie.

The question was about where the funding impact is at the moment. As you know, we are in a period of rebuilding, and in essence our strategy at the Canada Council for the Arts has focused on an approach to innovation within what is, to be honest, a fairly traditional conservative arts sector in this country. We have created tools and mechanisms to incentivise the rethinking of business models, the building of digital capacity and questions around equity and representation in the arts, as

well as some of the big issues, such as climate change, that affect not only the arts sector but society more broadly. We are continuing to invest in our traditional art forms but also broadening our understanding of what art is, which is an extremely important conversation in Canada at the moment.

We are actively incentivising new kinds of partnerships between the arts sector and other sectors and new thinking about a sustainable arts model, in what is traditionally a not-for-profit sector with considerable government investment, so we fit in that European model, very unlike the United States. However, there is growing recognition that public funding is not a given, certainly not increases in that funding in the arts sector. There is therefore a need to think more broadly about what the connections and opportunities are between the arts and the creative industries broadly but, even more broadly than that, with other sectors. Where is there a sustainable growth model for the arts sector?

Baroness Rebuck: I am sure we will come back to some elements of that in further questions, but in the interests of time I will turn to Professor Lee. It is good to have you here, both as an expert on South Korea and as a global expert. I have been really interested in some of the South Korean successes, whether in music or in television production or international film. In our research, we saw that South Korea is also leading in immersive digital technology, which is growing at some 30% a year. Again, I am interested in the context in which the decision was made—going to Dr Smith's point—of South Korea focusing on this area, presumably because there was money to be made from exports, but at the same time the main policies that in your view have contributed to South Korea's success? Feel free to comment outside South Korea based on your research.

Professor Hye-Kyung Lee: This question is very timely. I do not think that you would have asked the same question 20 or even 10 years ago. Now policymakers and politicians in the UK are concerned with the global competitiveness of the UK's creative economy, which is really interesting to hear.

I believe the UK is still a global power, as Martin just discussed, quantitatively and qualitatively. In terms of quantity, look at the economic impacts created by the creative economy in the country, such as the number of jobs, the revenue, the contribution to GDP and so on. There is also definitely leadership coming from the UK in terms of the high quality of cultural content made in the UK, especially content reflecting public interest and diverse cultural tastes, such as the programmes made by and for the BBC.

However, there are countries whose cultural economies are rapidly expanding, such as China and South Korea. To take South Korea as an example, between 1999 and 2018 the Korean film industry grew by nine times, the broadcasting industry by more than six times, the music industry by more than 16 times and the games industry by around 16 times as well. The Korean experience tells you that there are multiple

ways to grow and develop the cultural and creative industries, and the UK's approach is not the only one; I would say that it is one of many.

For example, in the UK the policy discussion has been dominated by the idea of regional creative clusters, and microbusinesses are the main players in the creative ecology. The Koreans have slightly different ideas. By looking at the Korean experience, you can get some new ideas and understanding of the cultural economy and cultural industry policy. In South Korea, there is little interest in clusters. Instead, policymakers are keener to develop industry-specific policies, and this approach has been successful so far. However, they are also facing huge challenges because cultural businesses in the country and elsewhere are moving towards transmedia businesses, converging different sections of the cultural economy. How can the South Korean industry-specific approach to cultural industry and the cultural economy be adjusted to facilitate cross-sectoral and cross-industry transmedia businesses in the country? That is a huge question for policymakers there.

Another point that we can get from the South Korean experience is that the Government can play a quite proactive role in institutionalising cultural industries. I can give you some examples. When we look at South Korea, very often we focus on direct funding or subsidy from the Government. That is direct support, mainly from government agencies such as the Korean Film Council, the Korea Creative Content Agency and regional content agencies. Their policies and funding are very much industry-specific and comprehensive, meaning that funding and support go to almost every stage of cultural business, from pre-production to production, from marketing to export and overseas pitching. So that is direct support.

But there is another set of policies that I think is more effective and impactful: indirect support. Indirect support is mainly about increasing transparency in cultural business and financing, rationalising cultural business, incentivising private investors and increasing the overall fund that can be invested in cultural and creative businesses.

There are examples, such as the Government's introduction of industry-specific standard contracts. Another example is the creation of a centralised online box office data platform, so that everyone can access daily updated cinema ticket sales data. This provides very useful information for film producers and distributors, as well as investors.

Another example of this effective indirect support is the creation of a cultural venture capital market. This specific financial market has been created by government initiatives and investment.

Baroness Featherstone: You have been talking about a lot of interventions. In terms of the pipeline to make those interventions, what are the South Korean Government doing about education?

The Chair: That is quite a big question. I do not know if we want to come on to that under—

Baroness Featherstone: Sorry, I did not realise that I was pre-empting.

The Chair: We can ask the question, but that may be something that we can pick up under the next group of questions.

Dr Martin Smith: May I just comment on one thing that Professor Lee said which is absolutely true? Each country will find its own path to creative economic development. I have just been working in Kyrgyzstan, helping the Kyrgyz Government write legislation on the creative industries—paid for by the FCDO, by the way. They are working out their own path. They asked for advice on how everybody else does it, but they are now choosing their own path.

The Chair: We will come on to learning about what is happening elsewhere. Before we move on to that, whether it is South Korea or other countries that are now motoring in this area, albeit doing it in a different way, do you see the UK as leading while you try to compete and overtake, or is this just a potentially successful area that you want to pursue? How much of this is driven by a view of the UK's position?

Professor Hye-Kyung Lee: For policymakers in many countries, the UK's presence is very strong. The UK can be seen as a very good example of a successful cultural economy. Also, the idea of creative industries was born in the UK. So the UK is definitely a global player when it comes to the creative economy, cultural industries, cultural exports et cetera.

However, when it comes to policy-making, I am not sure that the UK is the world leader. There has been this assumption; as the UK is where the idea of the creative industries was born, people have so far wanted to emulate its approach to creative industry policy. There have been a series of policies regarding creative clusters over the last 20 years. Now is the right time to evaluate the effectiveness of the UK's approach.

The Chair: That is a nice segue.

Q114 **Baroness Bull:** This is not my substantial question, so I am looking for quite a short answer.

I am conscious that we are trying to draw an international comparative and you have given us the useful warning that contexts are different. You used the phrase "creative industries". We know what we mean by that in the UK. It is a pretty large term already. Is there a different definition in South Korea or Kyrgyzstan, for instance, or are you talking about essentially the same thing as we are when we say creative industries? It would be useful to have those parameters.

Dr Martin Smith: Very quickly, there are seven different classification systems globally that I am aware of. In some parts of Asia, the definition of creative industries includes the wedding industry, for example. Gastronomy is quite commonly included.

Lord Vaizey of Didcot: Indonesia includes restaurants. That is something that we should do in the UK.

Dr Martin Smith: It is a nuanced answer to the question, but the core constituent parts are the same across all these classifications.

Professor Hye-Kyung Lee: In Korea, we have a definition that is equivalent to the creative industries in the UK—the content industry.

Korean policymakers are aware of what is happening and what is discussed in the UK. They take the UK to be a place where they can get ideas and inspiration, but when it comes to policy-making, the Korean policymakers try to create original prototypes of cultural policies.

Baroness Bull: I am very conscious that Carolyn told us that she was not speaking for the entire creative industries but for the arts, and we largely understand what that is, but you will correct me in due course.

My substantial question is around how other countries support creative businesses in innovating and what we could learn from them. The obvious place to go here is support for R&D. There has been a push to expand the definition of R&D to include the arts, humanities and social sciences, which are currently excluded. What could we learn from other countries, what might we be doing wrong and what could we do better, in terms of supporting innovation within creative businesses?

Dr Martin Smith: Again, it is very hard to generalise across the piece because we have publishing, architecture and craft, for example. I will cheat and refer to the film industry.

We are not very good at learning from other countries about how they do things. A specific example of where we are missing a trick and falling behind on an international basis regards the independent film industry in the UK—I am not talking about the big superhero studio business, which is booming here.

As every country in the world—the US, China, Japan, France—has realised, data is the crucial element to successful enterprises in the future. The question of how you analyse data cannot be separated from other critical questions relating to financing, R&D and business models. We have a problem in the independent film sector in this country. Data is hidden away. It is dispersed through a complex value chain. It is siloed and virtually unusable commercially, which means that repeat failure leads to zero learning.

There are potential solutions, which involve AI and various other technologies, but in the UK, no one wants to fund the R&D work required to make progress in this area. It is a clear case of market failure. The public sector needs to step up, and it has in France, through the CNC. In America, MovieLabs is doing this work, and in China, Alibaba Pictures. We are falling behind because the research councils have a particular model of what they want to fund. It is quite a tricky one because this is the film industry, with hits and misses, and it is something that they do not quite understand.

As Lord Vaizey will recognise, it is also a space in which, to generate commitment to fund certain sorts of work, the support of Ministers is usually very important. In this case, Margot James, when she was DCMS Minister, really got this. She went to the Treasury and battered away, and we nearly got some money, but then she left office and it has all drifted away again.

So to answer your question, the Germans, the Americans, the Chinese and the French have a better answer to a particular innovation challenge than we do.

Baroness Bull: That is really helpful and clear. Thank you. I will go to Canada next, if I may. Please feel free, if you would like to, to answer the first question about whether we mean the same thing by “creative industries”.

More broadly, we heard from Annette Mees, who made an interesting comment about how we in the UK have a funding system that is pointed at individual projects rather than at the general development of IP that would have applications across a range of products. She pointed to Canada as moving away from that discrete funding of products to focusing on cross-sector innovation. I do not know whether that rings any bells for you or whether you could tell us a bit about what is going on and why, and what it is achieving.

Carolyn Warren: I think she is in fact referring to our Strategic Innovation Fund, which I will talk about. First, I reiterate that there is a general understanding that is common about what the creative industries comprise.

I come back to your interesting question about R&D. In the traditional arts world—that is, Arts Council territory—there is a conspicuous absence of research and development. That is one of the fundamental problems that underlie the arts sector, certainly in Canada and, to my knowledge, in other countries as well: there has been a lot of austerity in the sector, and research and development has just never been a line item in the budget.

That connects to the question of the Strategic Innovation Fund, because that is exactly what the fund is hoping to support in the arts sector. There is the notion that you need to define a problem and solve that problem. In the case of our large strategic agenda at the Canada Council for the Arts, the problems could be anything from building data capacity to, as I said earlier, greater representation and equity on our stages and in our exhibition spaces, to questions of climate mitigation in the arts sector and more broadly. So there is a wide range of issues being faced by organisations in the arts sector—and then, of course, there is the inevitable recurring question of revenue. That is very different in the film industry than in opera, classical music, dance and so on, which is where our funding is generally targeted.

I have long been an advocate for more dialogue in Canada across the arts and the creative industries, because in our country they are very siloed. I had the impression that in the UK there was more porosity between the arts sector and the creative industries, but you would know much more than I would on that front.

In our innovation space, we are trying to incentivise the arts sector to think beyond its natural reflexes, which are quite internal-facing even within a range of disciplines. In Canada, it is difficult for us to have arts organisations from one discipline collaborating with arts organisations of

a similar size from another discipline, let alone thinking about working more broadly with other sectors. There is a lot in the innovation fund that is intended to move away from our regular granting programmes to offer flexible mechanisms to invite co-investors, both public and private. We are working far more with private foundations now, which is something that the United States has been doing for a long time. We are looking to incentivise private investment—literally—in the arts sector, not philanthropic but investment-based. These are contributions that have a completely different business model and set of outcomes in mind. That also means that we are trying to incentivise the arts sector to think beyond art for art's sake to asking: what are you contributing to the well-being of society more broadly, from our democratic principles to other public goods? How are you contributing?

I do not know if that answers your question, but the Strategic Innovation Fund is much larger than an intervention grant by grant on a project basis. It can be partnerships, co-investments, contributions or a number of different things that are intended to create almost a different framework of thinking about what sustainability could look like in the arts sector in future.

Baroness Bull: That is really helpful, thank you. I wish we had more time, but I am going to turn to Professor Lee. Annette Mees, who told us about the Canada system, also said that South Korea was much further ahead in updating R&D incentives. You have talked about investment in industries that goes from soup to nuts, not stopping at the point at which it becomes commercial, whereas we perhaps tend to stop at that point. What is South Korea doing that we might learn from and that might be applicable here?

Professor Hye-Kyung Lee: Maybe South Korea, the UK and Canada can share these questions rather than finding straightforward answers to this one. Traditional types of innovation are easy to identify and fund or support, but when it comes to innovations and new technology it is really difficult for policymakers to pin down where those innovations will emerge and how they can be predicted and supported in advance. The Korean Government developed some schemes for cultural technology and R&D. They even created a separate agency last year under the culture ministry focused on cultural R&D, but we still do not know what that agency's main activities are. This illustrates the difficulties facing policymakers when it comes to R&D and dealing with new and emerging technologies. Technologies are developing so fast that it is difficult for policymakers to decide what to support and how, and who to fund.

Public initiatives on cultural R&D are important, as you say, but it is also true that in many cases technological innovation takes place in private businesses. However, I am not sure if private cultural businesses and companies have a clear understanding of what skills and talents they need to pursue further R&D and create innovative products and services, although they might have a vague understanding of the innovation within their sector that will happen in the next three to five years. I wonder whether innovation comes from large-scale resourceful companies, cultural conglomerates or platforms, or comes from up-and-coming

small-scale microbusinesses—or both. That is something that policymakers need to consider.

The cultural ecology in South Korea is different from that in the UK. In my view, the UK is missing domestic platforms and UK-based cultural conglomerates that can function as resourceful and active cultural producers, distributors and investors, as well as investors in cultural innovation and R&D. Although there are global cultural companies such as publishing houses and media companies, here in the UK you do not have transmedia cultural conglomerates.

In terms of structure, this is an interesting question to consider. The only cultural conglomerate that can be seen as equivalent to the big media corporations in other countries is the BBC. In my view, the BBC is different: it is a public institution. But it is resourceful, it is large enough, it has many branches of businesses and activities, and it has talent. I imagine that there might be some ways in which the BBC can become a centre of cultural R&D and innovation in the UK, but I assume that it needs more support to deliver that.

Q115 Lord Vaizey of Didcot: Professor Lee, you answered my question in one sense, in talking about cultural conglomerates. The conglomerate approach is very much the South Korean definition of how South Korean industry works. We in this country are always wrestling with how to get the right level of investment for creative companies to scale up, and sometimes it is slightly pointless because they just get bought by the Americans anyway. However, I agree with your thesis that the only media player of scale left in this country is probably the BBC.

You also talk about venture capital in South Korea. One of the issues that we are debating at the moment is whether pension funds in the UK could be given more flexibility. Do you think there are solutions specific to the cultural industries that we should copy, apart from the cultural conglomerates, or are there solutions such as flexibility for pension funds that would actually benefit venture capital start-ups in a wider context?

Professor Hye-Kyung Lee: Interesting question. I will compare South Korea with the UK. In the UK, according to my observations, there is a mentality or assumption among policymakers and politicians that the UK is a financial hub and has a well-functioning, advanced financial market, so there is no need to be concerned about cultural financing because the market is advanced and well developed. According to that assumption, the problem is on the side of cultural businesses, where there is a lack of business skills and managerial skills.

The attitude of South Korean policymakers is very different. They acknowledge cultural businesses' lack of access to finance and try to address that by actively engaging with financial markets. Eventually the Government created the cultural venture capital market. Around 2000, the culture ministry and the film council started directly collaborating with private venture capital companies to create public-private venture capital funds for the cultural industries. That was 20 years ago, and that policy continues.

Lord Vaizey of Didcot: What kinds of sums in US dollars would those funds have been?

Professor Hye-Kyung Lee: I will email you. That answer will take time. Since 2006 the cultural ministry and the film council have used a mega fund—we call it the Motae Fund—under the business ministry to create public-private venture capital funds for the cultural sector broadly. Every year the ministry and the film council provide money to this mega fund, and that fund then invites private venture capital companies so that these companies can create public-private venture capital funds, using government money while attracting private investors' money too.

Lord Vaizey of Didcot: I am going to interrupt you so that I can get our other witnesses in quickly. To an extent, Dr Smith, this should be meat and drink to you. Thanks to Covid, we now inadvertently have the Future Fund, but are there other examples around the world similar to what Professor Lee is talking about—either a big fat fund that is going to move the dial in the creative industries or investment regulation that allows more flexibility for traditional investors?

Dr Martin Smith: That is a really difficult question.

Lord Vaizey of Didcot: You are at the heart of financial investment in the creative industries. You have spent 20 years in it.

Dr Martin Smith: There are other examples around the world, but you alluded a few minutes ago to the difficulty with this question: there is a culture in this country where we build companies and then sell them off very fast. That is not the culture that obtains in the USA. So that is a really hard one to deal with.

In answer to one of the points just made, we need some more big boulders. We need more big companies. J Arthur Rank started making films for Sunday schools and ended up with the world's second biggest film company that owned 25% of Universal. We are not building companies like that any more.

Lord Vaizey of Didcot: Maybe they need to be European. Maybe that is our problem.

Dr Martin Smith: Since you ask, the Europeans experimented between 2016 and 2020 with a €900 million loan fund that was underwritten by the European Investment Fund, pushing out loans via banks to something like 17,000¹ creative enterprises. I can write to you about that, but we just do not know how successful it was. I have not seen an independent evaluation of it, and I do not its recoupment was. Yes, there are different models around the world, but I do not think you can take any model from any country and simply transplant it. It is more complicated than that. Does that answer your question?

Lord Vaizey of Didcot: It does. Carolyn, I appreciate that you are focused on the arts. The similarities between Canada and the UK are pretty startling. In fact, we stole your video games tax relief because we

¹

Amended by witness: The correct number is "4,300" creative enterprises.

were fed up with all our companies moving to Canada. We have also tried in culture and the arts a sort of public-private investment fund to try to get a commercial angle to public art. Are there any interventions that you have seen that you think are suitable? I imagine you are having exactly the same conversation in Canada about how to scale up your tech companies, especially as they are next door to the US.

Carolyn Warren: Absolutely. Again, our council is not directly funding those companies, but we fund individual artists or creatives who might be working in them. It is difficult for me to give a good response from the council's perspective.

Lord Vaizey of Didcot: Do not worry at all. We are running out of time anyway so we can move on to our last question.

The Chair: Thank you, Lord Vaizey.

Q116 **Baroness Featherstone:** I apologise for getting ahead of myself before but I got so excited by what the witnesses were saying, partly when Dr Smith was talking about this area being the growth engine of the era. Growth, in everything that we have been talking about, requires a pipeline of skills. Dr Smith, you said it is certain that the global shortage of skills—creative skills, technical skills, cultural management skills and business skills—is going to intensify as countries compete for regional and global advantage. We have heard from a number of witnesses who have suggested that other countries are increasingly focused on developing creative and digital skills. Steven Spier said that countries such as China and Singapore are increasing their emphasis on creativity in education.

My question is twofold. First, how are other countries addressing the changing skills needs of the creative industries? Secondly, what could the UK learn, and what are the critical risks if we do not learn and do not make changes to our pipeline?

Dr Martin Smith: This is one area where we genuinely have a global lead.

Lord Vaizey of Didcot: Good.

Baroness Featherstone: Not the only area?

Dr Martin Smith: Not the only area. I will not rise to the provocation, Chair.

The Chair: No, please do not.

Dr Martin Smith: This is an area where, in a number of areas, we are the global benchmark for the highest quality. I will mention just one example: the National Film and Television School in Beaconsfield.

Baroness Featherstone: Which my daughter attended.

Dr Martin Smith: The editor of the international trade paper *Screen International*, Matt Mueller, said recently that the NFTS is the greatest film school in the world, and most others would agree; it is up there with

Munich, the University of Southern California and so on. There are many others.

A reverse answer to that is that many parts of the world send students here because we are the best place to offer certain sorts of training—in, for instance, cultural management. I declare an interest as a visiting fellow at Goldsmiths, and that is what we do: we offer courses in entrepreneurship, cultural management and so on. They are sold by word of mouth—in Vietnam, in China, in South America and around the world—and virtually all the MA students are from abroad.

Baroness Featherstone: Do they stay here to use those skills?

Dr Martin Smith: No, they generally go back, to become Deputy Culture Minister of Vietnam in one case, or whatever it is. We export a certain kind of very high-quality cultural and creative entrepreneurial scholarship.

I hesitate to say this in front of our Canadian friend—oh, she has gone from the screen—

Lord Vaizey: She knew what was coming.

The Chair: We will try to get her back.

Dr Martin Smith: You are right that I defined four different kinds of skills. In terms of cultural entrepreneurship, cultural management and business skills for the creative sector, I do not know of many places that are up to the standard that the UK has achieved. However, many are quickly trying to copy us. We find this at Goldsmiths all the time. People look at the Institute for Creative and Cultural Entrepreneurship there and say, “Can we have one of those, please?” That is the best kind of leadership.

Baroness Featherstone: If they are all going back to their own countries, why can we not have more British students going into British creative industries to improve our bottom line?

Dr Martin Smith: I do not know. It is a challenge, as many witnesses to this committee have said.

Baroness Featherstone: My question was really about the skills pipeline for this country.

Professor Hye-Kyung Lee: I think that I partially answered this question earlier. Looking at two different sets of skills which are interlinked, when it comes to traditional creative skills, cultural management skills and audio-visual skills, in many countries, including the UK and Korea, we have a set of institutions such as universities, colleges and vocational academies outside the higher education system.

When it comes to South Korea, there are 160 universities which have a department for media, journalism, advertising or audio-visual studies. About 60 universities and colleges have a department for games development and the gaming industry, and a similar number have a department for comics and animation studies. These are very practical courses and programmes. Additionally, there are industry-specific

vocational academies directly under the support of the culture ministry—the film academy, games academy and advertising academy. When it comes to these skills, there are educators, students and departments.

However, policymakers are struggling to create a skills framework for advanced and emerging technologies such as the metaverse, immersive technologies, virtual production, et cetera. Not many universities teach these skills. Currently, one of the agencies² under the cultural ministry in South Korea provides training programmes touching on these areas from time to time. The cultural ministry, in collaboration with some universities, created short courses on AI, the metaverse, cultural R&D, et cetera. However, we do not know whether these courses have been successful or what the career paths of the students are.

There is a lot of vagueness. The policy initiatives are very important, but a large part of this skills development takes place within private businesses. Ideally, a skills programme should involve businesses directly.

Q117 Baroness Featherstone: I have a follow-up question on tertiary education. Does any part of the syllabus leading up to 18 years place an emphasis on creativity?

Professor Hye-Kyung Lee: There are university programmes focused on creative businesses—

Baroness Featherstone: I mean before you go to university, at school, because creativity comes in many ways. It is a thinking process as well. Can either of you say anything about what other countries do in their schools?

Professor Hye-Kyung Lee: In Korea, as in many countries, normally creative thinking and skills are cultivated through arts and cultural education programmes.

Dr Martin Smith: I cannot; it is not my field.

Baroness Featherstone: Thank you and welcome back, Carolyn. The question was about the skills pipeline for the creative industries. How is that promoted in Canada?

Carolyn Warren: I will start by mentioning a very large and now international movement, Kids Code Jeunesse. It was started in Canada and promotes teaching children coding from a very early age. It also teaches them about algorithms, not only how to create their own but how to navigate being manipulated by algorithms. That programme started as a small one in Montreal but has now been adopted by many school boards in Canada. It has been presented at some international conferences. It is a big start in the direction of having kids thinking differently about digital.

In terms of skills, the Canada Council for the Arts worked with some UK organisations on the UK-Canada Immersive Exchange, a partnership of

² Updated by witness: This is “The Korea Creative Content Agency”.

StoryFutures Academy, Arts Council England, Canada Media Fund, the Canadian Film Centre and us. It is a pilot bringing together artists, filmmakers and producers who want to work in the immersive space, exchange skills at a very high level, develop projects, pilot them and get funding to move them through to prototypes and into production.

We have done a few exchanges with the UK. You guys are great partners for this kind of work. We have been very aligned in our interest in developing this cross-skilling and training between the arts sector and the creative industries. There are two universes, but the talent needs to be able to move back and forth, and training is a very important part of that.

There is an absence, in the UK as well as in Canada and the US, of digital literacy in our cultural leadership programmes. We did some scanning and research into this at the council, and it is not an area in which we train the leaders of cultural organisations. That is a huge gap. How do you expect someone running a large arts organisation to have digital literacy if it is not part of their training or background? For an entire generation of arts leaders, it was not part of their training before they became leaders in these cultural roles.

There are some serious gaps at an organisational leadership level, not just a technical training level. We are missing capacity to understand what the changes in our digital landscape mean for organisations and how to participate in a fruitful way in advancing sustainable business models in light of this new digital reality. It is not going away after the pandemic, that is for sure.

Q118 Baroness Rebuck: You have talked a lot about the cultural-conglomerate approach. At the other end of the scale, is there an opportunity in the UK for better knowledge exchange between these great research-based universities and SMEs in the creative sector?

Professor Hye-Kyung Lee: Conversations between higher education institutions and creative businesses can be a great way of knowledge exchange and facilitating innovation.

Lord Young of Norwood Green: One of Canada's most successful exports must be Cirque du Soleil, which tours around the world. There is also music—Joni Mitchell and Leonard Cohen.

Similarly, with the UK, there is animation, Wallace and Gromit. I do not know where the makers were trained but they emerged. South Korea has exported a fair amount of music. I may not always appreciate it, but it is a successful export. I do not know where they emerge from, but these are very creative parts of our industry. Where did Cirque du Soleil emerge from?

Carolyn Warren: It emerged from a group of street performers on stilts in Quebec City, with no government funding or support of any kind. They banded together and formed a company which grew exponentially. Circus arts have always been very popular and successful in Quebec, and this is the most famous of all. There are several international touring

circus companies in Quebec.

They get a tremendous amount of support from the Government and from private investors at this point. It is a notable truth in Canada that while there is provincial, municipal and federal funding for the arts across the country, Quebec has far and away the greatest investment in culture of any of the provinces. Its support for organisations such as Cirque du Soleil is fundamental to the success of that company. They developed international touring strategies well beyond anybody else in Canada and have very strong international recognition for not only circus but other Quebec art forms, as a result of consistent and very high levels of government support and funding.

The Chair: I will draw this session to a close by asking Dr Smith whether there is anything that we have not covered today that you would consider either a threat to the UK's position in terms of its creative industries, or an opportunity that it is not taking full advantage of?

Dr Martin Smith: May I write to you on that?

Lord Vaizey of Didcot: You sound like a politician.

The Chair: Please do.

Dr Martin Smith: In all seriousness, I have sent the committee a note about the future of the British Council, which I consider relevant to the question. The British Council for 20 years has provided global thought leadership—a phrase which I do not like—in the area of conceptualising the creative industries. I am very concerned that it will not be able to play that role in the future on current trajectories. That is not only about thought leadership; it is about making connections in all the places around the world where we can build partnerships and expand trade. It is a potential act of national self-harm to do what we appear to be doing.

The Chair: Thank you for that, and if something else comes to mind that you think would be important or relevant to our inquiry, do share it. The same is true for Professor Lee and Ms Warren. I thank you all for your very helpful evidence today, and for giving us your time.