

House of Commons, Select Committee on Business and Trade
Inquiry into 'Industrial Policy'

18 January 2024

Summary

- The performing arts and culture sector, including the film industry, is yet to fully recover from the effects of the pandemic on audiences and business models, which pose an increasing threat to the financial sustainability of many cultural and creative enterprises, with consequences for the prosperity and competitiveness of the creative ecosystem as a whole.
- Possibly the biggest challenge to the creative industries comes from the development of generative AI, given the centrality of intellectual property to this sector. There is a clear potential threat to the business models of content creators, of whom thousands are based in the UK.
- The government's *Creative Industries Sector Vision* lacks strategic thinking, in that it does not clearly explain what inputs are required to deliver the desired policy outcomes on employment growth, or what the impediments to achieving these outcomes might be. Nor does it show a clear understanding of what is required to grow creative clusters sustainably in such a limited timeframe.
- A contradiction exists between the government's creative industries policy ambitions and the progressive disinvestment by the state in creative education.
- The digital technology sector can play an important part in responding to challenges faced by the film & TV sector, by establishing a cogent data infrastructure for creative industries. The UK can follow examples in Europe by adopting practices to address the shortage of data-informed and 'knowledgeable' capital.

1. **Dr Martin Smith** is a founding member of the Creative Industries Council (CIC); Visiting Fellow in Creative Industries at Goldsmiths, University of London. He was formerly Special Adviser at Ingenious Media and a member of the AHRC's Creative Industries Advisory Group, and is a former chair of trustees at the Young Vic Theatre Company. **Dr Michael Franklin** is a Lecturer in Creative and Cultural Entrepreneurship at Goldsmiths, University of London; and a 2023 Visiting Fellow of the Columbia Institute of Tele-Information, Columbia University; his expertise lies in film industry risk, market devices and data analytics.
2. This submission focuses on what, since the 1990s, have generally been referred to as 'the creative industries' (CIs), or sometimes the 'cultural and creative industries' (CCIs), defined by the DCMS since 1998 as '**Those industries which have their origin**

in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.’¹

The final part of the response discusses in more detail UK film & TV sector policy.

3. Successive governments have hailed the ‘world-leading’ performance of the UK’s CIs/CCIs over the last 25 years or so, although the economic performance of their nine constituent sub-sectors² has often diverged, never more so than during the pandemic when the live performing, screen and visual arts (music, theatre, cinema, festivals and museums) were closed down for long periods whilst the largely ‘born digital’ sub-sectors (video games and e-sports especially) boomed. Many parts of the interlinked and publicly-supported core arts and culture universe have yet fully to recover from the effects of the pandemic on audiences and business models which, combined with cuts to the budgets of national arms-length funding distributors, the BBC and local authority budgets since 2010, pose an increasing threat to the financial sustainability of legions of cultural and creative enterprises, with consequences for the prosperity and competitiveness of the creative ecosystem as a whole.
4. The “strengths and competitive advantages” of the UK’s CIs have been widely anatomised and is to some degree common ground. As one leader-writer put it, rather smugly, in 2008:

“The truth is that we are a very old country with a stellar arsenal of fine art, ancient artefacts, literary genius, civic institutions and curatorial skill, all now bolstered by world-class industries from music to fashion. And rather than be ashamed by this cultural inheritance, we now at last have the confidence and economic resources to celebrate it as a national asset.”³

The English language, spoken by an estimated 322 million native speakers globally and some 500 million second language speakers, helps to provide us with customers for our creative exports, which in the context of the fast growing global market for cultural goods and services is a clear competitive advantage (although it also puts us in direct competition with the US entertainment industry in many markets around the world, as it has for more than a hundred years).⁴

¹ For this purpose we shall put aside questions of classification methodology, although these are widely acknowledged to be significant in measuring aggregate sector performance, especially in relation to Standard Industrial Classification (SIC) codes 62.01 and 62.02, which deal respectively with computer programming and computer consultancy activities, and which together account for some 40% of sector gross value added (GVA).

² Since 2007 these nine sub-sectors have been classified as follows: advertising and marketing; architecture; crafts; design (product, graphic and fashion); film, TV, video, radio and photography; IT, software and computer services; museums, galleries and libraries; music, performing and visual arts; and publishing.

³ *The Observer*, leading article, 19 July 2008.

⁴ The global market for cultural goods and services grew rapidly from the end of the 1990s and continued to grow through

5. The UK is widely recognised as a leader in global creative markets, but objectively how competitive is the UK according to official data? It is useful to distinguish between cultural *goods* and cultural *services*. According to data published by UNCTAD,⁵ amongst exporters of cultural goods the UK ranked seventh (behind China, the United States, Italy, Germany, Hong Kong and France) in 2020. Amongst exporters of cultural services (bigger and more difficult to measure than goods) the UK ranked fifth (behind the United States, Ireland, Germany and China). These rankings conceal more stellar performances in individual sub-sectors, notably in recorded music and TV drama exports, where the UK is second only to the USA.⁶

6. What are the threats to future UK competitiveness? Here there is less common ground. It is difficult to generalise across a sector which is so diffuse and (in part) so fragile, and which deploys so many distinct business models (this observation applies even within constituent sub-sectors). Insofar as generalisation is meaningful, certain *weaknesses* and *challenges* facing the CIs are widely acknowledged to be structural and longstanding. In no particular order these include:
 - Acute skills shortages
 - Shortage of 'knowledgeable capital'
 - Proliferation of sub-scale businesses
 - Falling aggregate public investment in the arts and humanities
 - Heavy investment by competitor nations, and
 - Constricted talent pathways.

Other threats, especially the challenge of accessing European audio-visual markets posed by Brexit, are of more recent origin and may yet, in a worst case scenario, prove more damaging than anticipated, arising from the mooted (re)classification by the EU of goods "of European origin".⁷

7. Given the centrality of intellectual property to the very definition of the creative industries, possibly the biggest challenge, however, comes from the as yet largely unregulated gallop associated with the development of generative AI. For the CIs, there are both prospective upsides and downsides in view, but there is a clear threat to the business models of content creators, of whom thousands are based in the UK,

the period of the economic crash of 2008-09 according to a ground-breaking study, *Creative Economy Report 2010*, published by the United Nations (UNCTAD and the UNDP, Geneva, 2010).

⁵ United Nations Conference on Trade and Development (UNCTAD), *Creative Economy Outlook 2022*, Geneva, 2022.

⁶ For music industry statistics, including an assessment of the impact of the pandemic on GVA and employment, see UK Music's most recent annual economic report *This is Music 2023*.

⁷ For a useful introduction to the vexed problem of the 'Promotion of European Works' see a recent blog by Thomas Dillon here: [Thomas Dillon: What is a "European work"? A hole in the AVMS Directive and a footnote on arbitration \(theighblog.blogspot.com\)](https://theighblog.blogspot.com).

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‘sector deal’. Galvanised by the publication of *At risk: our creative future*,¹¹ a probing and excellent report from the Communications and Digital Committee of the House of Lords, the *Creative Industries Sector Vision: a joint plan to drive growth, build talent and develop skills*, finally appeared in June 2023.¹² This “plan”, also described as a “living policy framework”,¹³ sets out the government’s *2030 Goals and Objectives*. These are broken down into nine policy objectives (innovation, investment, exports, education, skills, job quality, wellbeing, environment and soft power) which appear under the heading of three “goals” (creative clusters, future workforce and communities and the environment). The two centrepiece, substantive ambitions outlined in the *Vision* document are in goals one and two: to “grow creative clusters across the UK, adding £50 billion more in gross value added (GVA)” and to “build a highly-skilled, productive and inclusive workforce for the future, supporting one million more jobs across the UK”.

12. This *Sector Vision* is essentially a marketing document. It exhibits lots of fascinating statistics, funding commitments (some old, some new), case histories and visual imagery, and contains many important and valid insights, but lacks overarching analytical rigour. It is aspirational rather than strategic. Although the precise significance of differences in terminology between a ‘plan’, a ‘policy’ and a ‘strategy’ (or ‘sector deal’), or indeed a ‘vision’, can be exaggerated, it is evident that this is not a strategy document in the sense that it does not clearly explain what inputs are required to deliver the desired policy outcomes, or what the impediments to achieving these outcomes might be. It is also disturbing that, given the centrality of the concept of creative clusters in the *Sector Vision*, there is no clear evidence here of an understanding of what is required to grow these clusters so dramatically (in terms of employment) in such a limited timeframe.

13. It is also apparent that the authors of the *Sector Vision* are in denial about the contradiction that lies at the heart of this expression of policy ambition – namely the extreme challenge that flows consequentially from the progressive disinvestment by the state in *creative education*. This point was immediately picked by the Director of the V&A Museum, Tristram Hunt, in an article for *The Observer* which is worth quoting at length:

“Here is a curious tension. This month the government announced an extra £77m to support new “creative clusters” across film, fashion, TV and gaming. With the creative industries supporting more than 2m jobs and bringing in £108bn a year to the British economy, it makes sense.

¹¹ *At risk: our creative future*, HL Paper 125, 17 January 2023.

¹² Department for Culture, Media and Sport, *Creative Industries Sector Vision*, CP 863, June 2023.

¹³ *ibid.*, p.4.

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Yet at the same time, we are throttling the pipeline. The last 12 years have witnessed a 60% collapse in the number of young people taking art and design GCSE –alongside equally terrible falls in music, drama and other creative subjects. To no-one’s great surprise, this is accelerating the longer-term trend of shuttering arts, languages and humanities across British universities”.¹⁴

This is where possibly the biggest challenge to the future prosperity of the UK’s creative industries most fundamentally lies.

Film & TV sector policy

14. The importance of the highly interconnected nature of the sector, and the contrasting dearth of joined-up policy, as noted above with regard to the supply and exploitation of UK creativity, is mirrored in many aspects of the UK’s creative industries. As the Secretary of State for Culture, Media and Sport recently correctly highlighted when noting the world leading nature of the screen sectors: “Film is at the heart of the UK’s thriving creative industries”¹⁵. However, the coherent support needed to ensure its competitive advantage as evidenced by the UK’s inward investment statistics and international awards, is absent.

15. In order to maximise potential, policy must recognise that financial and cultural capital returns, e.g. from US streamer and studio production location and talent recognition at the Oscars, depend upon a complex ecosystem linking film, TV, theatre, literature, radio, games, XR, VR; and linking IP research and development, through to project execution, into UK company viability. As may be seen from the UK Parliamentary Inquiry to Film and HETV¹⁶, and recent strikes, many of these links hang by a thread, or else are broken. The UK’s ability to create, retain and sustain its own cultural expression is substantially threatened, and many of the challenges are active long-standing issues, including access to finance and opportunity¹⁷, even impacting national treasures from Aardman Animation¹⁸ to Warp Films¹⁹.

¹⁴ Tristram Hunt, “Move over, stuffed teddies. Museums today need more to stimulate young minds,” *The Observer*, 25 June 2023.

¹⁵ Frazer, L. (10.1.2024). BFI Chair appointment. <https://twitter.com/lucyfrazermp/status/1745065246237044952>

¹⁶ <https://committees.parliament.uk/committee/378/culture-media-and-sport-committee/news/196602/new-inquiry-cms-committee-to-examine-british-film-and-highend-tv/> <https://committees.parliament.uk/work/7859/british-film-and-highend-television/publications/>

¹⁷ <https://www.theguardian.com/film/2005/jun/15/features.features11>; <https://ari.org.uk/aris/140070> <https://ari.org.uk/aris/140076> via <https://www.gov.uk/government/publications/dcms-areas-of-research-interest/dcms-areas-of-research-interest>

¹⁸ <https://www.theguardian.com/culture/2023/feb/06/aardman-uk-animators-may-have-to-move-abroad>

¹⁹ <https://www.screendaily.com/news/uks-warp-films-execs-call-for-more-working-class-stories-in-film-and-tv/5184126.article>

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16. However, this crisis state of affairs²⁰ with the potential to undermine the foundations of a leading business sector need not be the case. Indeed, another noted UK key growth sector, digital technology, can play a part in response if a cogent data infrastructure for creative industries forms a key policy component. The indelible connection between risk capital, market understanding, and technological innovation is well recognised at the European level²¹, and in other nations such as France²² where creativity and is seriously supported with funding (CNC receives c. €800m), strategic innovation, and clear policy - see EFADs 2030 vision²³. This can be done by the UK, where expert projects on: broadcasting recommendation and audiences²⁴, film data use across the value chain²⁵, and content consumption data (re)combination²⁶ are being pursued. Such approaches can address e.g. the shortage of knowledgeable capital identified by the Council for Science and Technology²⁷.

²⁰ <https://www.theguardian.com/media/2023/nov/08/to-leave-is-heartbreaking-the-film-and-tv-makers-forced-into-other-jobs> <https://www.screendaily.com/features/how-soaring-costs-and-market-disruption-are-threatening-the-survival-of-uk-indie-producers/5186467.article>

²¹ <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-details/crea-media-2024-innovbusmod> ; <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-details/crea-media-2024-vodnet> ; <https://www.eif.org/InvestEU/news/2023/investeu-eif-support-to-strengthen-europes-cultural-and-creative-businesses-with-strong-boost-to-the-audiovisual-sector.htm>

²² <http://logicalpictures.com/#> Group of companies; https://www.cnc.fr/professionnels/actualites/resultats-de-lappel-a-projets---transparence-de-la-remontee-de-recettes-dans-le-secteur-cinema-et-audiovisuel_1931182

²³ https://europeanfilmagencies.eu/images/press_release/European_Film_Agency_Directors_-_Our_vision_for_2030_-_Final.pdf point 3 - page 4.

²⁴ <https://www.adalovelaceinstitute.org/event/inform-educate-entertain-and-recommend/> recommendation 2

²⁵ <https://britishscreenforum.co.uk/wp-content/uploads/2022/07/UK-Screen-Sectors-A-Prospectus-for-Growth-in-an-Age-of-Change.pdf> Point 3.ix.b p89-90

²⁶ <https://www.inrupt.com/case-studies/the-bbc-shows-its-audience-the-future-of-personal-data-access-and-consent?>

²⁷ "We note that there is a general lack of data on the finance ecosystem for the cultural and creative sector." "HM Treasury should work with the Office for National Statistics to prioritise improvements to data collection on creative industries R&D." <https://www.gov.uk/government/publications/harnessing-research-and-development-in-the-uk-creative-industries/cst-advice-on-harnessing-research-and-development-in-the-uk-creative-industries-html>