

BUILDING A SUSTAINABLE UK FILM INDUSTRY

A presentation to the UK film industry

**SIR ALAN PARKER CBE
CHAIRMAN, FILM COUNCIL
5 NOVEMBER 2002**

BUILDING A SUSTAINABLE UK FILM INDUSTRY

Good morning, and thank you for coming.

Today I want to set out some new thinking from the Film Council about the kind of film industry we'd like to see in this country.

I want to set out a vision of an industry that is a strong and confident player in an increasingly competitive world. An industry that evolves, and reflects, the new realities of today's global market. We can never be the biggest film industry in the world, but we should be right up near the top of the league, not permanently hovering in the relegation zone.

The UK film industry is not in need of quick fixes and band-aids if we are to succeed on the world stage. I contend that it needs nothing less than radical re-invention.

So my speech this morning is in three main parts:

- Firstly, how did this industry develop and what can we learn from our recent history?
- Secondly, what kind of film industry does the UK have now?
- Thirdly, what kind of film industry should we be aiming to create in order to fulfil our creative and industrial potential, and how do we - Film Council, Government and industry - work together to create it?

Cinema is an immensely powerful medium at the heart of the UK's creative industries. It combines artistic creativity and technical innovation to entertain, inspire, challenge and inform. Films help to shape the way we see and understand the world, how we see ourselves, and how the world sees us. It promotes ideas and understanding in a way that no other medium can or does.

Half of the world's population - that's three billion people - have seen a James Bond film. Films made by a UK company, using UK creativity and ingenuity. Hundreds of millions more have seen our films - from *Chariots of Fire* to *The Full Monty*, from *Notting Hill* to *Bridget Jones's Diary*.

Film is the key driver of the creative industries. The same creative industries that in the US are already worth half a trillion dollars annually.

The audience for film, in virtually every country in the world, continues to grow - at the cinema, on television, and, especially, on DVD - the fastest-growing consumer electronics product of all time. This year, UK cinema admissions are likely to increase by 12%. 174 million tickets sold. This was unthinkable 20 years ago. We owe most of that rise in admissions to investment by exhibitors in our cinemas. The exhibitors deserve real credit for the turnaround of cinema-going in this country - though doubtless, like us, they would like to see admissions go even higher - because if you compare cinema-going in other countries, there is still room for considerable growth.

Over the last two years, the Film Council has concentrated its efforts on the better use of public subsidies - principally Lottery money - which, as you know, was failing to deliver what was promised. This we have completely reformed and overhauled.

First of all, we have concentrated on creativity – encouraging talent and skills by helping new and established filmmakers by completely restructuring production and development funding. This has resulted in many distinctively British films: from *Gosford Park* to *Bloody Sunday*. From *The Magdalene Sisters* to *Bend It Like Beckham*.

The process of change was tough, but now it's starting to pay off.

Second, we've supported our existing industry – primarily by fighting to protect and extend the existing Section 48 tax relief for film. We've also pitched aggressively for inward investment – mainly from the US – helping to deliver over £1 billion to the UK film economy. We've established programmes to improve script skills across the industry and we're also delivering training for film business skills. We've put down deep roots in each English region by co-financing the new development agencies and we've also cemented strong partnerships with the national film bodies in Scotland, Wales and Northern Ireland.

At the same time, we've kept our focus on film culture and film education. We've set up programmes such as First Light – our highly popular scheme which has introduced filmmaking skills to hundreds of kids from Oldham to Exeter, from Barnsley to Belfast.

Most recently we set up the single largest initiative ever mounted in Britain to improve the distribution and exhibition of specialised films on screens across the UK.

And of course we inherited responsibility for the *bfi*. Over the longer term we intend to support this very valuable organisation to enable it to more widely reach out to everyone in the UK with an interest in film culture.

But whatever our efforts to date, we should recognise that all of us – industry, Film Council, Government - are prisoners of history - whether we like it or not. That's why, until now, the Film Council has focussed on what we could most directly control and reform – the use of public subsidy.

But that, in itself, is not enough. Not nearly enough.

Now it's time to raise the bar of our ambitions.

For despite the Film Council's considerable success in putting public subsidy for film on a sensible footing, to be honest, there is still a mountain to climb before we can help to create anything like a truly sustainable film industry.

This is something the Film Council cannot do on its own. Because bluntly, direct subsidy solely to production will never, ever form the basis of a successful film industry – even if we double, triple or quadruple the money presently on offer.

In three years, we've created an organisation that is a model of its kind - anywhere in the world. But to state the blindingly obvious, the Film Council is the interface with Government. We exist to serve our industry and to advise Government. But we can't be the industry, we exist only to encourage an environment in which the industry out there can flourish and thrive.

Our job is to help build a stable and growing industry - not to run one - and it's in that spirit that I'd like to look at the history of film in the UK over the past two decades, and see what can we learn from our history.

The past

If we go back 20 years, the situation was desperate. Audiences were marching away from the cinema in droves, back to the comfort of the TVs flickering in their living rooms. Our cinemas were run by the duopoly of Rank and EMI, whose executives seemed to see it as their mission in life to turn cinemas across the country into Bingo halls.

We were walking backwards into the future with our eyes down, hoping for a full house. The disastrous failure and bad management of these once cash-rich, highly resourced, giant companies to develop in line with their global competitors cast a dark shadow under which all of us who make and distribute films in the UK still toil.

In those dark days, as always in our industry, we were not without our creative successes.

Richard Attenborough, Hugh Hudson and David Puttnam had won Oscars for *Gandhi* and *Chariots of Fire*, and it's true, we had Goldcrest, the leading UK film financier - the catalyst for such international successes as *Gandhi*, *The Killing Fields* and *The Mission*.

Colin Welland cried, "the British are coming", at the Oscars in 1982. As any American school kid knows, Paul Revere – because he considered himself British at that time - never said this phrase - and probably neither should have Colin, because it proved to be an albatross around our necks for the next 20 years. In reality, the reborn British film industry trumpeted by the press was just another temporary production boom.

In 1984 the Conservative Government announced that it was abolishing the Eady Levy, which had for so long sustained our industry. They also niftily withdrew the capital allowance tax breaks for production. Chaos reigned once more. Producers were thrown the bone of £2 million a year to finance film production through a new private company, British Screen. Not nearly enough to build an industry, but it did support some important work by providing opportunities for some, but not all, of our most gifted filmmakers like Ken Loach and Mike Leigh who, frankly, might have been silenced without it.

Then Goldcrest – the pride of the British film industry – which had, over seven years, made 24 major feature films - collapsed with a bridge loan too far. At a time before the ancillary rights explosion of video and pay TV, and when 90% of the revenue for a film still came solely from its theatrical release. The company was woefully short of capital and was sold for a knock-down price.

With Government relegating us to pauper status and the City turning its back on us, production levels plummeted and even the most optimistic of us realised the game was up. With great frustration, many of our directors - the absolute heart of any film industry – namely, Ridley and Tony Scott, Adrian Lyne, Jon Amiel, Roland Joffe, Michael Apted, Mick Jackson - and so many others, including myself - followed David Puttnam to America. There

we were welcomed with open arms and we could ply our trade as we have done since 1911 when an Englishman, William Horsley, made the very first film in California.

But back in the UK, against all expectations, the audiences were returning to the cinema with the same alacrity with which they had abandoned it just a few years earlier. This was because of what was called at the time the "multiplex experiment". The cinema chains - principally, the American-owned ones - were building new venues and people actually started enjoying going to the movies once more. Proof, apparently, that if you build it, they *will* come. But the audience certainly weren't seeing many British films. Probably because there were so few, if any, to see at the time.

On to the late 80s and early 90s, when British cinema became the handmaiden of television. Channel Four, and to a lesser extent, the BBC, kept the film cameras turning over - just about. But for the most part, a generation of filmmakers got stuck making small-screen filmed drama and the legacy of Lean, Reed and Korda was forgotten.

Then, in June 1990, Margaret Thatcher invited Dickie Attenborough, David Puttnam and a number of others into Number 10 Downing Street for a seminar. "Something must be done," the woman said. I have this on hearsay, I have to add, because I wasn't invited. The end result was a handout of £1 million a year to create the British Film Commission which, together with the introduction of Section 42 tax relief in 1992, provided a necessary boost toward inward investment - principally for large-scale American productions in the UK.

But it had little effect on energising or creating a proper film industry.

Then, in the mid-1990s, Dickie Attenborough once again - thank God for you, Dickie - persuaded the Conservative Government to give a share of "good cause" Lottery receipts to film. And as crucial, absolutely crucial, as this was for the survival of film culture in this country, there was a "catch" and hence a fatal flaw. The way the National Lottery Act was framed meant that, for the first few years, all the money for film had to be sunk into production, with a bit left over for capital projects such as refurbishing art house cinemas. The decision to force Lottery money solely into production and doling it out through an unprepared Arts Council was a mistake. A mistake gleefully jumped on in the press, in what can only be described as a tabloid editor's dream. Frankly, it was a badly thought out, "amateur night out" system, resulting in many films of which we as an industry could never be proud. Also many of these films were made in a vacuum completely disconnected from distribution. A mistake which was not rectified until a change of Government and the creation of the Film Council. This is not self-serving, this is fact.

With the election of the Labour Government in May 1997, Gordon Brown's first budget reinstated the 100% first year write-off for British films. A few months later, the DCMS/Film Policy Review, steered by Stewart Till, delivered the most thorough and comprehensive review up until then of our industry's problems. Its conclusive document, "A Bigger Picture", offered a cogent analysis of our industry, identifying the need for a distribution-led approach.

But sadly, its key policy proposals were quickly shot down in flames by the ITV companies. Incidentally, the same ITV companies who boasted that,

instead, they were going to invest £100 million in British films. Yeah, sure. This investment never, ever materialised.

To digress for a second:

The BBC invests less than 1% of its entire budget in UK feature film production. And, believe me, we're grateful for that 1%. Less than 1%! Worse still, ITV, Channel 5 and Sky, whose schedules also are driven by American movies, invest even less than that. Even less than 1%! This lack of commitment from broadcasters to indigenous British film production is completely out of step with the rest of Europe.

But back to recent history and the film industry.

Throughout these years, one film company stood out. PolyGram.

At a time when the overwhelming majority of British films barely registered at the box-office at home or abroad, PolyGram, a production and distribution company led by Michael Kuhn, was responsible for supporting talent and financing British films which did have popular appeal: the work of Richard Curtis, Duncan Kenworthy, Hugh Grant, Mike Newell, Danny Boyle, Michael Winterbottom and many, many more was suddenly visible on the world stage. Not least of which was Working Title – still the jewel in the crown of British film production – run by Tim Bevan and Eric Fellner. PolyGram patiently persevered - it most certainly wasn't created in a day. But that's about how long Philips - the Dutch parent of this singularly British success - took to sell it, when it was suddenly gobbled up by Seagram.

In the meantime, governmental responsibility for film had been shunted around from the Office of Arts and Libraries to the DTI, to the DNH and then to the DCMS. Acronyms that not many of us could keep up with. But it was never a recipe for consistent policy execution. And finally, in 1999, came the creation of the Film Council.

What our recent history teaches us is this: as a nation we've got an uncanny ability to produce world-class filmmaking talents. We too readily boast of our Oscar triumphs, our Berlin Bears and Venice Lions -proof that we can make outstanding films, whether here or within the Hollywood machine or, frankly, anywhere else we choose to tell our stories and make our films. It's how we define our success, but although this makes headlines for newspapers, it's not nearly as important as the vast numbers of people who are employed whose work creates those headlines.

And, except for brief bursts from time to time, as with PolyGram, those triumphs have never been supported by significant structures. If we'd had a proper film policy, with industry and Government working in partnership, those structures would have then been created. But they haven't been.

But equally, what about emerging talent? At all levels? Something that as an industry we've done almost nothing to address, largely because of a scandalous neglect of training for too many years.

The present

So just what kind of film industry do we have right now?

Let's start with our strengths. I'd identify three in particular.

First. We have outstanding creative skills. We've got superb writers, directors and actors – not to mention the creators of hugely valuable intellectual properties like *Harry Potter*. Richard Curtis, for instance, has written British films which have grossed over a billion dollars at the world box office.

Second. We have outstanding studios and facilities companies, world-class costumiers, camera companies and digital post-production houses – studios and facilities which have been a magnet for inward investment, principally from the US.

Third. We still have - just about - the finest technicians and craftspeople anywhere - although their numbers are diminishing at a worrying rate.

I could also add a fourth: we have the English language – not just the same language of American movies, but that of the Internet.

But frankly, if you take a look at the reality of our industry, it's apparent that we've failed to use our strengths to our real advantage.

The basic truth of the film industry is that it is a distribution-led business. It has been since Adolph Zukor, William Fox, Carl Laemmle and the rest of the pioneers planted their flags out west. The formula used now by Hollywood majors is exactly the same as it has been for 80 years. The Hollywood studios' mathematics are simple: money spent on production is more than earned back in distribution, profits are taken and the balance is used to help finance the production and distribution of more films.

Make no mistake, international distribution is where the real money is made in the film industry.

The global market for film is estimated to be worth \$60 billion dollars annually. A market totally dominated by American cinema. Yet instead of focussing on our strengths or addressing our biggest weakness – getting strong British films into global distribution - much of the British film industry has developed a serious production habit for the last 50 years. And like any addict, it has obsessively gone about feeding its addiction in any way that it can.

But now the years of plenty are over and presently it's harder to close the finance on independent British films than it has been for many years. Of late, FilmFour has drastically scaled back, Granada has shut its dedicated film arm, and there's a general shortage of finance in the market. As I have already mentioned, the fortunes of TV and film are intertwined. We simply must address the lack of investment from broadcasters into our industry.

Last week the Government published its response to the Joint Committee on the Communications Bill, in which it accepted that the broadcasters should play a positive role in the development of UK film. The Film Council will pursue this vigorously, but if Ofcom and Government drop this ball, frankly you can pretty much say goodbye to an indigenous film industry.

This year, our indigenous production industry will make around 40 films, representing £150 million in investment, down from the high of 1997 when 84 films were made. At the same time, inward investment into film production - principally large-scale American films - fluctuates year-to-year

thanks to events far beyond our control: foot-and-mouth, swings in the sterling-dollar exchange rate, the threat of the SAG and Writers Guild strikes and, of course, international terrorism.

We had the boom and now we've got a bust. Sound familiar?

To sum up, here's the paradox of our industry: worldwide demand for film has never been stronger. Yet our ability to cash in on that demand remains almost as weak as it was two decades ago. The audience has grown. But much of our industry has failed to respond to that growth.

There's been little consistency of performance or growth across the UK industry as a whole.

That's why we need to reinvent our industry, and make it fit to face the future.

The future

So what do we want that future to look like?

We have a Government that tells us it is willing to work in partnership with our industry. Willing to try to help us unlock the capital which gives us our best shot in years at creating a sustainable film industry.

We must evolve – and quickly – or this window of opportunity will slam shut in our faces. The results may not be apparent in the short term or even in the medium term, but reinvention of our industry must start now.

We need to abandon forever the "little England" vision of a UK industry comprised of small British film companies delivering parochial British films. That, I suspect, is what many people think of when they talk of a "sustainable" British film industry. Well, it's time for a reality check. That "British" film industry never existed, and in the brutal age of global capitalism, it never will.

I hasten to add that personally, as a film director, I am not standing before you to celebrate world capitalism. But as Chairman of the Film Council I have to point out its reality regarding our industry's future.

We need to stimulate the growth of an industry that embraces the international market. At the same time, we must maintain an environment which supports the production of British films of enduring cultural significance. It's not either/or. It's both. We must stop talking about the British film industry and start considering our film industries.

We have to stop worrying about the nationality of money. We want to encourage investment into our film industry from anywhere in the world – without tearing up the roots of cultural film production.

Also, now is the time, once and for all, to recognise that our industry's obsession with public funding for production is taking us nowhere. This might seem like kicking someone when they're down, but it's not. As crucial as it is for our short term survival, public funding solely for production is not the answer to the industry's larger structural problems. I'm sorry, but it honestly isn't.

I know it's tough out there right now. I too work at the sharp end of production and I am fully aware that people are suffering in our industry.

But we've had seven years of Lottery subsidy, and five years of a production-focussed tax break. Neither has delivered the structural changes that we need in order to deliver the consistent performance and growth to prevent a crisis every five years.

So let's accept that production will never be a major profit centre. The idea of a self-sustaining, purely British film industry has been the Holy Grail for Government and industry for many years. But the idea of building a stable of rights-owning film production companies is a fantasy. Independent producers are a form of entrepreneurial talent, but they're not moguls. With perhaps one shining exception – Jeremy Thomas - the evidence from too many years is clear that our producers are never going to build the companies which will form the basis of a successful film industry. It might work in television, but it hasn't worked in film. Producers are a form of talent; they take a fee for their services just like directors, cinematographers, production designers and everyone else. On their own, producers will never be able to deliver the sustainable film industry we need.

It's time for that reality check and a time for reinvention.

This means reinventing the UK as a "film hub" – a creative core. A film hub which is a natural destination for international investment. A film hub which is a natural supplier of skills and services to the global film market. A film hub which consistently creates British films that attract worldwide distribution and large audiences, while still using subsidy to support cultural production and new talent.

To be clear, if we are going to make that vision of the hub a reality, we need three key ingredients:

Number One. Distribution. That means an industry that is led by distribution. Production led by distribution, not the other way round. Pull, not push. Robust, UK-based distributors and sales agents with a serious appetite for investing in British films and helping to make them a success all around the world. We have to stop defining success by how well British films perform in Milton Keynes. This is a big world – really successful British films like *Notting Hill* can make up to 85% of their revenues outside the UK.

Number Two. Skills - the best-equipped, most highly-skilled, most flexible film workforce in the world.

Number Three. Infrastructure – state-of-the-art studios and post-production companies, complemented by outstanding service companies operating at every level of the international film business.

Distribution, Skills, Infrastructure. The keys to making the UK a film hub for the 21st century. It's not rocket science, you might be thinking. But how do we make it achievable?

By reinvention. If we are to succeed, what is needed is not mere change, but transformation. And not transformation in one sector, but at every single level of the UK film business.

It won't be easy, and it won't be quick. But if we don't try, then we won't survive. It really is as simple as that.

So what do we need to do to make that hub a reality?

In a successful industry, distribution pulls production behind it. Distribution pull, not production push, as I said before. But public policy in the UK has always largely focussed on production. So how can we effect a shift of emphasis, thereby increasing the strength of both the distribution and the production sectors?

The Government has a number of levers it can pull, the most powerful of which is fiscal policy.

We need a tax break that gives incentives to distributors – both strong independents and American studios - to invest in and acquire British films.

We need a fiscal policy which stimulates market investment rather than one that primarily serves "producer interests". We need to be led by demand, not pushed by supply.

If we don't focus on strengthening distribution for our films, then soon we might not have a production sector at all.

The existing tax breaks have delivered many significant benefits.

The 100% first year write-off - Section 48 - introduced by the Government in 1997, has generated jobs, brought fresh blood into the industry and delivered decent films enjoyed by audiences.

The other tax break, Section 42, continues to help attract big American movies here - movies that keep the gates from slamming shut at Pinewood and Shepperton.

But although these current tax breaks have performed a valuable function, they are inefficient. They mainly rely on using a sale and leaseback structure originally invented for oil pipelines and factory lathes. It's not ideally suited to a business in which ultimately the only physical asset is a few cans of 35mm film negative.

That's why there's been such uncertainty over the rules governing the tax break. And is it any wonder that it hasn't produced structural change? Particularly when so little of the benefit ends up with our filmmakers.

Don't get me wrong. Without these tax breaks, there would be little or almost no production in the UK. But they haven't improved the distribution of British films.

But in any event, the international landscape of film production is in the middle of a colossal transformation. This alone demands that we have a review. Tax breaks that were manna from heaven in 1997 may not be right for the next stage in our evolution.

I believe that the locomotive of any new tax break must relate to film distribution. We need a tax break that powers up that distribution locomotive. So that it can pull a healthier British production industry behind

it. An industry composed of ambitious, large-scale British films, as well as smaller, “cultural” ones.

I don't have to remind anyone here – that's you, the industry - the current Section 48 relief will expire in July 2005. In production planning terms that means it's good for another 18 months from today. We need to start planning for the future now. The Film Council is ready to work with you to cogently and persuasively put our case to Government.

But before I move on, allow me to digress for a short while, because there is a specific problem with the costs of low-budget British films, whose principal market is the UK.

For too long, we've assumed that the economics and mechanics of high-budget films can simply be scaled down and applied to low-budget films. They can't. That's a recipe for killing off the low-budget sector, not sustaining it. Fundamentally, how can we justify a parochial film industry that doesn't travel beyond these shores and hence has no hope of returning its costs? If the work is of such cultural importance, but might not even return its investment in the UK – let alone anywhere else – it will have to be subsidised, or its costs downsized considerably.

Earlier this year the Film Council commissioned a report from Simon Relph on low-budget filmmaking around the world - the best industry report I've ever read. I urge all of you involved in producing and distributing British films to read it when it's published in a few weeks time. It illustrates, extremely persuasively, that we need to fundamentally change the way in which we go about making low-budget British films; if we don't, then in a few years time, British filmmaking at this level will cease to exist. It really is as simple as that.

The Relph Report shows that the solutions lie with filmmakers and with talent. It thoroughly illustrates that the French, Germans and even the Danish make films far more cheaply than we do. Why can't we make films at budgets that reflect their market value? Why can't we adopt the more flexible attitude of the vibrant American independent sector, and thereby create more opportunities for more people to enter our business?

Let me throw down a challenge to British filmmakers and British talent: if you continue to make films for which the costs far exceed potential revenues then you have to have a very good reason to ask for public money to support you in that effort, or you need to reduce the cost of low-budget films by changing the way you work.

Moving to the second element of the hub: skills.

Again, a self-evident truth – we simply won't have an industry at all unless we invest in people.

As proud as we are of our existing talent and skills base, there simply aren't enough good new writers, new editors, new production designers and new cinematographers coming through. The technical and skills workforce is ageing. My own editor is 75 years old, acknowledged to be one of the world's great editors, but he's a product of a system - studio apprenticeships - which long ago disappeared. We desperately need a new generation of talented filmmakers because they are our life-force and our future.

So what do we intend to do about this?

The Film Council and Skillset are undertaking a major study into the training needs of our industry. Stewart Till is chairing the steering group. Only when we accurately know what we need can we possibly plan for the future.

When the report is complete, we will draw up a realistically budgeted training strategy, one designed to ensure that with Skillset we will create a world-class workforce right across the entire UK film business.

This won't be cheap, of course. As existing funding commitments expire, the Film Council is prepared to shift more Lottery money into training. But in return we will also insist that the industry invests seriously in its own future for the first time – by investing in training right across the board - all the way from script development, through production, to post-production, distribution and exhibition.

We'd also like to tie a contribution to public training funds to the availability of any possible tax break. Something that was mooted during the Film Policy Review, the advice then was that it needed primary legislation, which wasn't achievable at that time. If as an industry we demand our rights, then we've got to deliver on our responsibilities.

We also want to see Government release more funds to train and re-skill our industry. The Government says it's serious about developing skills and creativity in this country; now's the time to prove it.

At the moment, we're scattering our efforts in too many directions at once. We've a National Film and Television School out at Beaconsfield which looks like an abandoned set from *The Day of the Triffids*, and some good, but seriously under-resourced film courses at Leeds, Bournemouth, the London Film School and elsewhere. There's presently no attempt to make these courses complement one another, and no attempt to offer a structured entry plan into our industry for all of the different creative, technical and craft roles.

The Film Council intends to put together a coherent training strategy for film, organised at the centre, but delivered at colleges and training establishments all around the country. A strategy in which a revitalised National Film and Television School has a prominent role. Schools equipped for the digital world of 2010 and beyond.

What we've got at the moment is not a policy for "training" or "skills development" - it's an excuse for one. We have to have a real policy and we have to see it through.

But if we're to build a world-class film industry, we also need to draw on all the talents available to us; we have to broaden access to our industry to all sections of our society. Not just for cultural reasons, but for straightforward commercial ones. This is not altruism or political correctness; it's common sense to make use of the best talents that we can lay our hands on.

Now to the third key element of the film hub: infrastructure. Everything from our studios, to post-production houses, to labs, to camera hire, to costume hire – everything that is needed for a film to get made.

The environment in which all of these companies operate is undergoing radical change and we can't pretend that cosy transatlantic assumptions will endure. Around the world, investment is pouring into new film studios from India to South Korea, from Australia to Thailand, and dozens of other Governments are dreaming up new tax incentives seemingly month-by-month in an effort to attract big-budget Hollywood movies. The world is suddenly a much more competitive place. The Hollywood studios are more cost-conscious than ever before. Once we were fearful that US production would stay at home instead of coming to Pinewood or Shepperton or Leavesden. The new reality is even more worrying; they might even go somewhere else altogether.

That trend won't be reversed – instead it will accelerate with the collapse of traditional trade barriers, as our industry becomes more mobile and as digital production technologies make it far easier to produce films set almost anywhere in the world.

As we speak, in Romania, one of my colleagues on the Film Council Board, Iain Smith, is co-producing *Cold Mountain* for Miramax. Directed by one of our finest directors, Anthony Minghella, they have an international crew - 150 of them British – with many British actors and using mostly British services. It's an American Civil War story about a wounded Confederate soldier, played by Jude Law, hoping to reunite with his pre-war sweetheart. Not a lot to do with Romania, you might think. But if you want to know why they're filming there in the Carpathians, just look at the costs of construction and extras. Luring an \$80 million film away from locations in the United States and studios in the UK would have been unthinkable five years ago.

Over time, these non-traditional filmmaking countries will build their own film industries as they further develop their own skills. But if we form partnerships with them now, we will have a much better chance of supplying services to them – particularly our high-end skills - as their industries mature.

How can the Film Council, working with Government, help the industry achieve that transformation?

We must make our crucial financial incentives more flexible.

We need to revise the definition of a British film, finding ways to recast it to reflect the fact that actual production increasingly will take place in countries with a lower cost base than ours.

We must begin to view the world beyond the UK.

We need to encourage greater British involvement in international film production, by creating strategic alliances with new territories outside Europe who are already playing host to big-budget productions and are hungry for more, at the same time ensuring that British talent – technicians and craftspeople – work on these films.

Film production, David Lean once said, is the "last of the travelling circuses". It's taken a long time to heed his advice.

We will need to strengthen our traditional links with the American industry at every level; encouraging them to continue to invest in production here in

order to develop our infrastructure to the benefit of jobs and skills - even in an environment that is far more competitive than it was, ten, or even five, years ago.

In Europe, it will mean focussing on the obvious benefits of being part of the biggest single market in the world. Encouraging financial bridges with Europe's major film companies across the continent, and bringing additional investment into the UK. And, crucially, we must increase our influence on policy at the European Commission.

The Film Council will examine whether there are existing fiscal incentives which might be adapted to stimulate investment into the infrastructure, most notably into studios and post-production.

So let's try to draw everything together before I finish. Which, by the way, will be soon. To achieve our aims, we also need Government to help us – not with handouts, but by acting in a cohesive way so that we can work with different departments to achieve our objectives - without running into turf wars every five minutes. If the Film Council is to have a real chance of creating a new and meaningful film industry in this country we will need to work not only with the DCMS, but also with the Treasury, the Department of Trade and Industry, the Department for Education and Skills, the Foreign and Commonwealth Office and doubtless other parts of Government.

Pretty obvious, you might say, but in our experience, not always easy.

I'd like to finish with a story which sums up our predicament. It's a story about a boiling frog, a story widely told in France where, as you know, they regularly eat these unfortunate creatures. Apparently, if you throw a frog into a pot of boiling water, not surprisingly, it will immediately jump out. However, if you place the frog into a pot of cold water and slowly heat the water to boiling point the frog will never notice the change. It will not attempt to jump out. It will not feel any pain. From one moment to the next the change in temperature will be slight, and its metabolism will try to adapt. It will be remarkably successful at adapting. Then it will die, boiled to death.

I'd contend this is the danger facing the British film industry. Slowly, but inexorably, many of our "competitive advantages" are evaporating. Our creative and technical skills, our cost-base, our ability to compete in the world market at every level - they are all under threat in the long term, and unless we jump out of the pot in the next few years then eventually we too will be goners. Make no mistake.

To conclude:-

We need distribution-led companies to carve out a British share of the \$60 billion world market and we can't do this simply by staying at home.

We have to not worry about the nationality of money.

We have to redefine what a British film is.

We are not one film industry, but many industries. One solution doesn't fit all.

Absolutely, we need cinemas that show not just American blockbusters, but films made in the UK with stories for and about ourselves.

We need a robust infrastructure that will enable us to make those films here and also compete in the world marketplace.

In the immediate future, we are going to have to compete on the basis of skills, even more so than costs, so we need to rapidly expand the quality of our skills base because it is the life-force that will protect the UK's ability to make film.

We are at a crossroads. Film Council and film industry.

The tide is turning and we can't sit here like cultural Canutes.

We can retreat back to "Little England". Or we can mount a sustained assault on wider horizons. The choice is there for all of us. And just in case anyone has any doubts about our talent in the UK, in the spirit of optimism, I'll leave you with a taste of our industry's most recent and future work.

Thank you very much.

Sir Alan Parker CBE
Chairman
FILMCOUNCIL
5 November 2002