



Core activities:

- Screenwriting
- Production
- Distribution
- Exhibition

7 Film & Video

Related activities:

- Music soundtracks
- Promotion
- Set design building
- Catering
- Equipment manufacture
- Video rental
- Photography
- Lighting
- Sound recording
- Costume design
- Selling film and video distribution rights
- Film and tape delivery and storage
- Videos on demand
- Digital film distribution
- Film web sites
- Post-production/special effects
- Computer games
- Multimedia and digital media

Related industries:

- Television
- TV film production
- Music
- Publishing
- Advertising
- Digital media
- Performing Arts
- Merchandising
- Training

7 FILM & VIDEO

REVENUES Gross: £3.6 billion (1998) ^a
 EXPORTS £581 million (1998) £653 million (1999) ^b
 EMPLOYMENT 48,100 (1998) 44,500 (2000) ^c

^a ONS, 2000: *Sector Review of Service Trades, 1998*. ^b ONS, 2000: *International Transactions of the Film and Television Industry, 1998-1999*.
^c ONS, 2000: *Labour Market Trends*; ONS, 2000: *Labour Force Survey, summer 1998, 2000*.

Film and video products include feature films, adverts as well as training, education, promotion and other videos. The key ways in which these products reach the public are through cinema, video, DVD and television. Linking production and exhibition, the distribution industry

provides services such as film and tape delivery and storage, and buying and selling of film and video distribution rights.

The production-to-exhibition chain is a complex one and many activities, “cultural” and “non-cultural”, are

centrally or strongly associated with it. These activities range from writing and producing, to catering and transport, to video rental and cinema exhibition. The film and video industry is also closely associated with other sectors including television, digital media, music and publishing.

INDUSTRY REVENUES

Gross value added of film and video activities increased from £956 million in 1995 to £1,700 million in 1996 but decreased over the next two years. In 1998 value added was estimated to be £1.5 billion and turnover

totalled £3.6 billion. Although production companies account for 86% of film and video businesses, this part of the industry accounts for just 27% of total value added and 41% of turnover.

TURNOVER, CAPITAL EXPENDITURE AND GROSS VALUE ADDED OF UK FILM AND VIDEO BUSINESSES, 1998

(£ MILLIONS EXCLUSIVE OF VAT)	PRODUCTION	DISTRIBUTION	PROJECTION	TOTAL
NUMBER OF COMPANIES	3,790	429	189	4,408
TURNOVER	1,447	1,621	485	3,553
NET CAPITAL EXPENDITURE	55	68	52	175
APPROXIMATE GROSS VALUE ADDED	418	857	257	1,532

Source: ONS, 2000: *Sector Review, Service Trades, 1998*.

Production

Another way to estimate the value of the production sector is to draw together statistics from sub-sectors of the industry. Figures collated by Henry & Feist (2000) indicate that in 1998:

- £536 million was spent on TV ad production¹
- £15 million was spent on pop video production²
- £700 million was spent on corporate video production³

The value of UK film production⁴ declined in 1998 for the second year running to £525 million.⁵

On the basis of data drawn from sub-sectors of the industry, the value of the production sector is estimated to be £1,776 million.

¹ Advertising Association.

² British Phonographic Industry.

³ British Film Commission.

⁴ The BFI Handbook classifies “UK” films into five categories which range from “films where the cultural and financial impetus is from the UK” to “US films with a UK financial involvement”. In terms of the number of “stand-alone” UK films 1996 and 1997 were particularly productive years but in 1998 the number of wholly UK films produced dropped from 65 to 43.

⁵ However, as the BFI Handbook (1999) notes, the marked decline in production costs that occurred in 1997 “does not indicate a crisis so much as the particularly expensive crop of US co-productions made in the UK in 1996”.

NUMBER AND VALUE OF UK FILMS 1994-1999

YEAR	TITLES PRODUCED	PRODUCTION COSTS 1999 PRICES (£ MILLIONS)	CURRENT PRICES (£ MILLIONS)
1994	84	518.3	455.2
1995	78	454.7	402.4
1996	128	809.3	741.4
1997	116	599.9	562.8
1998	88	525.0	509.3
1999	100	549.2	549.2

Source: BFI 2001 Handbook; Screen Digest/Screen Finance/X25 Partnership/BFI.

Note: UK films are defined as films produced in the UK or with a UK financial involvement and include minority and majority co-productions.

Distribution

Although the overall trend has been for the UK to produce more films, there has been a decline in the proportion of UK films achieving wide release and an increase in the proportion remaining unreleased a year after production.⁶

In 1998 23% of UK films achieved wide release a year after production, 56% remaining unreleased.

Of the UK films produced in 1998 only 35% had not been released to theatres in the UK by 1 July 2000.⁷

The structural issue that has most impact on the industry is the domination of the distribution network by US companies (linked to US studios) such as UIP, Buena Vista, Fox and Warner Brothers. Any consideration of the future sustainability of the UK industry must take into account the global nature of the industry and the impact of the US majors on it.

Exhibition

In 1999 there were 42 fewer cinemas and 789 more screens than in 1994. The growth in exhibition is largely attributable to multiplex development; in 1999 just over a quarter (27%) of UK cinemas were multiplexes and these accounted for 63% of all screens.⁸ Foreign companies have a high stake in multiplex development; Screen Digest (21 June 2000) reported that in 1999 four foreign exhibition groups (UGC, Warner Village, UCI and National Amusements) owned 57% of the UK multiplexes.

⁶ Defined as released to 30 screens around the country within a year of production.

⁷ BFI Handbook 2001, Screen Finance/X25 Partnership/AC Nielsen EDI/BFI.

⁸ Screen Finance, 2 March 2000.

UK SITES AND SCREENS, 1994-1999

YEAR	TOTAL SITES	TOTAL SCREENS
1994	734	1,969
1995	743	2,019
1996	742	2,166
1997	747	2,383
1998	759	2,564
1999	692	2,758

Source: BFI 2001; Screen Finance/X25 Partnership.

UK Cinema Advertising

UK cinema advertising revenue steadily increased throughout the 1990s, from £39 million in 1990 to over £123 million in 1999.⁹

UK Consumer Spending on Film and Video Products

Consumer expenditure can be broken into several key areas, including cinema box-office, video rental and retail, and movie channel subscriptions.

Between 1995 and 1998 the number of video rental transactions fluctuated between 167 million and 186 million, while the number of retail transactions grew from 73 million to 100 million.¹⁰ In 1999 the value of rental transactions was estimated to be £408 million and retail was valued at £882 million, with DVD at £68 million.

Estimates published by the BFI indicate movie channel subscriptions amounted to more than £1 billion in 1997.

UK cinemas receipts totalled £571 million in 1999.¹¹ The overall pattern over the 1990s was one of growth; from 1989 to 1999 cinema admissions increased from 94.5 million to 139.8 million and receipts from £364 million to £571 million. Although the UK overall is producing more films, and admissions have been increasing, sole US productions account for the bulk of box office (i.e. £344.4 million in 1999).

⁹ Advertising Association, 2000, current prices.

¹⁰ BFI 2000: BVA.

¹¹ BFI website, 2000.

CONSUMER SPENDING, 1994-1999

£ MILLIONS	BOX OFFICE	VIDEO RENTAL	VIDEO RETAIL (a)	DVD	MOVIE CHANNEL SUBSCRIPTION (b)	TOTAL
1994	364	339	698	*	540	1,941
1995	385	351	789	*	721	2,246
1996	426	382	803	*	1,003	2,614
1997	506	369	858	*	1,290	3,023
1998	515	437	940	*	*	•
1999	571	408	882	68	*	•

Source: BFI Handbook 2001; BVA/Screen Finance/Screen Digest/EDI/BSkyB.

(a) Only a proportion is accounted for by feature films.

(b) Based on subscriptions to BSkyB of £24.99 per month which includes all channels but excludes sport.

*Data not published.

CINEMA ADMISSIONS IN UK AND BOX OFFICE, 1995-1999

YEAR	ADMISSIONS (£ MILLIONS)	BOX OFFICE GROSS (£ MILLIONS)
1995	114.6	385
1996	123.8	426
1997	139.3	506
1998	135.5	515
1999	139.8	571

Source: BFI 1999; BFI website; Screen Digest/Screen Finance/BFI.

Investment

Investment in the film industry comes from a variety of sources including the Film Council, television broadcasters, regional development agencies, foreign investors, private investors and local government.

The UK film industry attracts substantial foreign investment (see Balance of Trade, following paragraphs) and television-based investment has had a growing importance through broadcasters

such as Channel 4, BBC and BSkyB. Film Four invested £22.6 million in the production of 18 feature films in 1999, while BBC Films invested £12.5 million in the production of 11 films.¹²

¹² Screen Finance, 30 March 2000 and 14 April 2000.

The level of film production in the UK during 2000 broke all previous records: total production investment was more than £750 million. There was more than £539.5 million inward investment in the British production sector by films and high-budget filmed television productions shooting in the UK during 2000, an overall increase of 33% on the previous year.

In 2000/2001 the Film Council's grant-in-aid amounted to £22 million and Lottery funding amounted to £27

million. The Film Council, newly created in April 2000, is responsible for all funding for film in the UK apart from the National Film and Television School. The Council is also responsible for distributing National Lottery funds for film production. The Council's remit is to deliver a coherent strategy for the development of film culture and the film industry and has implemented stage one of a strategy that responds to many of the issues raised by the Film Policy Review Group in *A Bigger Picture*.¹³

These include funding for development, two distinctive production funds and a training fund that will include provision for writer training and training for producers. Stage two of the strategy will tackle structural problems, export promotion, a digital technology strategy, collection and dissemination of industry and cultural statistics and initiatives for increasing the audience for film. Work is underway in all these areas.

BALANCE OF TRADE

In 1999 the film industry generated exports totalling £653 million while imports totalled £375 million.

Receipts from abroad to film companies in the UK increased from £581 million in 1998 to £653 million

in 1999. Payments for production facilities in the UK fell for the second year running to £145 million while receipts from royalties (such as transmission rights, licences and so on) rose by 19% to £508 million.

INTERNATIONAL TRANSACTIONS OF FILM COMPANIES^(a), 1998-1999

	1998 (£ MILLIONS)	1999 (£ MILLIONS)
UK EARNINGS FROM OVERSEAS (EXPORTS)		
ROYALTIES	427	508
USE OF UK FILM FACILITIES	154	145
TOTAL	581	653
UK PAYMENTS TO OVERSEAS (IMPORTS)		
ROYALTIES	374	317
USE OF OVERSEAS FACILITIES	63	58
TOTAL	437	375
NET SURPLUS	144	278

Source: ONS, 2000: *International transactions of the film and television industry, 1998-1999*. News release ONS (26 October 2000).

(a) Significant proportions of royalties are received by UK subsidiaries of US owned companies and are subsequently returned to the parent company. A further shortcoming is that films made by television companies are categorised as television earnings.

13 DCMS, 1998.

EMPLOYMENT

Office of National Statistics (ONS) estimates suggest that in June 2000 there were 33,000 employee jobs in film and video activities. This number appears to have changed very little between June 1998 and June 2000. A further 11,500¹⁴ were estimated to be self-employed.

Employment tends to be concentrated in London: 1991 census data indicate just under half of workers (41%) were London residents, while people living in the Southern and Eastern regions accounted for a further 10% and 9% of workers respectively.¹⁵ The 1991 census indicated that 23% of individuals were self-employed, but for some sub-sectors the figure was higher (i.e. 37% for photographers, camera, sound and video equipment operators).

On 19 May 2000 Skillset conducted the first ever census of employment in the audio-visual industries. It aimed to provide a “snapshot” of employment on the day and the sectors covered included radio, television, commercials, corporate production, independent production, facilities and new media.¹⁶ The survey suggests around 35% of people (41,000) working in the UK’s audio-visual industries on the day of the census were freelancers and that up to 20,000 more freelancers were economically inactive on the day.

EMPLOYEE JOBS IN FILM AND VIDEO ACTIVITIES IN GREAT BRITAIN, 1998-2000

SIC CLASS	JUNE 1998	JUNE 1999	JUNE 2000
92.11 PRODUCTION	<u>17,900</u>	<u>15,600</u>	<u>20,500</u>
92.12 DISTRIBUTION & 92.13 PROJECTION	<u>14,900</u>	<u>13,900</u>	<u>12,500</u>
TOTAL	<u>32,800</u>	<u>29,500</u>	<u>33,000</u>

Source: ONS, 2000, Labour Market Trends data, time-series analysis.

INDUSTRY STRUCTURE

Number of Enterprises and Rate of Growth

The Sector Review presents results of the UK Service Trades inquiry and covers all UK businesses registered for VAT and PAYE. According to this source there were

4,400 motion picture and video businesses in 1998.¹⁷ The same source indicates that in 1995 there were just 1,900 film and video businesses and that the bulk of growth had occurred in the production sector.

Size of Enterprises and Industry Structure

The film and video sector is dominated by small enterprises. In 1999:

- 91% of film and video businesses with one or more employees had fewer than 10 employees¹⁸

- half of VAT-registered businesses had a turnover of less than £100,000 and 3% had a turnover of more than £5 million.¹⁹

¹⁴ ONS: Labour Force Survey, June 1998, 2000.

¹⁵ O'Brien and Feist, 1995.

¹⁶ Unfortunately the results failed to provide a reliable picture of employment in feature films; in future years alternative methodologies will be explored.

¹⁷ National Statistics 2000.

¹⁸ DTI, 2000.

¹⁹ ONS, 2000.

NUMBER OF UK MOTION PICTURE AND VIDEO BUSINESSES WITH ONE OR MORE EMPLOYEES BY EMPLOYMENT SIZE AT THE START OF 1999

NUMBER OF EMPLOYEES	NO. OF BUSINESSES	%
1-9	3,685	91
10-49	310	8
50-249	50	1
250 OR MORE	10	<0.5
TOTAL	4,060	•

Source: DTI 2000, *Small and Medium Enterprise Statistics, UK, 1999.*

NUMBER OF VAT-REGISTERED FILM AND VIDEO ENTERPRISES IN UK BY TURNOVER^(a), 2000

	PRODUCTION		DISTRIBUTION		PROJECTION		TOTAL	
	NO.	%	NO.	%	NO.	%	NO.	%
UNDER £100K	2,115	54	150	35	45	27	2,310	51
£100K-£500K	1,080	28	165	39	70	42	1,315	29
£500K- £5 MILLION	615	16	75	18	45	27	735	16
£5 MILLION +	95	2	40	9	5	3	140	3
TOTAL	3,900	100	425	100	165	100	4,490	100

Source: ONS 2000, *Size analysis of UK businesses, Business Monitor PA 1003.*

(a) Figures are rounded to nearest five so column totals may not be equal to totals.

INTERNATIONAL CRITICAL ACCLAIM

UK films were successful in 1999 and 2000 at the award ceremonies, including the Oscars and the BAFTAs. The films *Shakespeare in Love*, *Elizabeth* and *Gods and Monsters* won a total of nine Oscars in 1999; at the BAFTAs *Elizabeth* won five awards and *Shakespeare in Love* took four.

In 2000 *American Beauty*, directed by a Briton, Sam Mendes, won a number of awards at both the Oscars and BAFTAs. UK productions and co-productions

receiving BAFTAs included *East is East*, *Tea with Mussolini*, *Notting Hill*, *Topsy-Turvy* and *Ratcatcher*. *Topsy-Turvy* also had success at the Oscars, winning prizes for Best Make-up and Best Costume Design, while *The Red Violin* won Best Original Score.

POTENTIAL FOR GROWTH

The fortunes of the UK feature film industry are more positive now than at the start of the 1990s: it is producing more films, attracting more

investment, successfully nurturing UK talent and receiving critical acclaim, and there have been box office successes both in the domestic market and overseas. However, as *A Bigger Picture*²⁰ identified, key weaknesses, such as a lack of distribution infrastructure, need to be addressed.

The growth of multiplexes will continue in the immediate future, but the market has reached saturation point as audience numbers appear to

²⁰ DCMS, 1998.

have stabilised and the number of admissions per screen is decreasing.²¹ Older multiplexes will need to invest in refurbishment in order to meet consumer demand for state-of-the-art cinemas. A future development may be the “branding” of individual screens or the development of specialist circuits. Admissions are generally on the rise and this overall trend looks likely to continue.

The number of companies is expanding and the bulk are small enterprises; these require support in training, finance and business in the same way as small businesses in other sectors.

Digitisation will make possible the digital distribution and transmission of electronic master copies directly to cinema, replacing film prints. It has been predicted that there will be 10,000 digital screens worldwide by 2000 and there will be a complete transition within 20 years. While 90% savings in film print production and distribution are predicted, there are issues concerning the investment needed to transfer to digital transmission.

The growth of DVD is dependent on the rate at which the public adopts the necessary hardware. It will eventually

have a negative impact on VHS markets although the two formats will continue to exist side-by-side for some time yet.

Commentators have maintained that convergence of the technologies of computing, telecommunications and the media is blurring distinctions among many activities. It is, for example, increasing the tendency towards integration of film and television production.

GROWING THE SECTOR – POINTS FOR CONSIDERATION

Training needs, in particular those of new entrants into the industry and those in freelance occupations. Skillset and the Film Council are currently working to improve the situation.

The insufficient number of integrated UK companies operating across development, production and distribution. Work is underway by the Film Council to address this issue.

A distribution process which is dominated by large US companies and fails to prioritise UK films.

Development of a domestic audience for UK film. The Film Council is in support of this requirement.

Under-resourcing of script development.

The ability of the industry to respond to technological change and the development of means through which opportunities can be exploited. DCMS funded research is currently underway.

Promotion of the UK film industry overseas. The British Film Commission has been performing this role since 1991 and the British Film Office in Los Angeles promotes the UK industry in the US. The Film Council is currently assessing overseas markets for export potential.

The development of reliable and up-to-date statistics to enable the industry to monitor changes and develop policy. The Film Council is currently working on the creation of a Market Intelligence Unit.

Identifying the needs of new enterprises in regard to securing investment, developing business and achieving sustained long-term growth. This is a key element within the Film Council's strategy.

²¹ *Dordona Research/Film Council projection based on forecast total audience figures for 2000.*