

which he associates in particular with the universities, the arts, and the BBC.⁷⁹ In this, he agrees with Sir Peter Hall, the then director of the National Theatre, who claimed, in 1988, that 'well over 90 per cent of the people in the performing arts, education and the creative world' were 'against' Mrs Thatcher.⁸⁰ The opposition to the Thatcher government displayed by the educational and arts communities arose, in turn, from their specific dislike of the government's apparent philistinism, and hostility to public provision for the arts, as well as a more general liberal-left, 'intellectually centrist' disdain for the socially and culturally divisive consequences of Thatcherite economic policies. In this respect, the filmmaking community in Britain, with its links to the other arts (especially theatre) and public-service television, formed part of a grouping which could be expected to be out of sympathy with Thatcherite ideas. And, while it is not possible to 'read off' the ideological dispositions of film texts from the social and political attitudes of their makers, many of the films of the period were, none the less, quite self-consciously informed by the anti-Thatcherite sentiments of their producers, directors, and writers.

Finally, it may be argued that one of the key factors encouraging the emergence of an anti-Thatcherite cinema was the impact of Mrs Thatcher's policies upon the industry itself. For while discussion of the relationship between Thatcherism and the British cinema has characteristically focused on ideological outlook, much less attention has been paid to the more direct consequences of the Thatcher government's policies upon the film industry itself. As the following chapter indicates, the most immediate impact of Thatcherism on the cinema was the extension of its economic policies to the conduct of the film industry. These had seriously damaging consequences for the economic viability of the British cinema which became increasingly dependent upon television, and Channel 4 in particular. Given the public service remit of Channel 4 and its commitment to relatively low-budget contemporary British filmmaking, it provided both the cultural space, and the economic basis, for many of the films most critical of Thatcherism to emerge. In this way, the economic policies of the Thatcher government, when applied to the film industry, actually helped to stimulate the production of films which, at an ideological level, were typically hostile to Thatcherite beliefs. It is to these policies that I will now turn.

⁷⁹ Martin Holmes, *Thatcherism: Scope and Limits* (Basingstoke: Macmillan, 1989), chap. 8. The Conservative government clashed with the BBC over a number of issues including the transmission of an episode of the *Real Lives* series, 'At the Edge of the Union', dealing with Northern Ireland politicians Martin McGuinness (of Sinn Féin) and Gregory Campbell (of the Democratic Unionist Party) in 1985, and the reporting of the US bombing of Libya in 1986. For an overview of these events and the general threat to the impartiality and 'public service' status of the BBC, see Steven Barnett and Andrew Curry, *The Battle For the BBC* (London: Aurum Press, 1994).

⁸⁰ Quoted in Hugo Young, *One of Us*, 411.

chapter 2

Film Policy and Industrial Change

Thatcherism and the Film Industry

On 15 June 1990 more than twenty representatives of the UK film industry arrived at No. 10 Downing Street to attend a seminar on the future of the industry, chaired by Mrs Thatcher herself. The seminar had been arranged in response to approaches from Sir Richard Attenborough, the then chairman of both the British Film Institute and British Screen Advisory Council as well as a successful producer and director, and he was evidently pleased with the outcome. '[T]he government is demonstrating that films are back on the agenda', he commented afterwards, 'and the Prime Minister is responsible. She's not only committed; she has demonstrated her interest.'¹ This was, perhaps, a surprising remark. There had been little evidence of the Prime Minister's enthusiasm for the film industry during her previous years of office and the record of her government with respect to film was not impressive. Only the previous year, UK feature film production had dropped to thirty films, the lowest figure since 1981 and the second lowest since 1914, and, according to the then Chief Executive of the Producers Association, it was 'a matter of fact' that a series of government policy decisions had 'brought the UK film and television production industry to its knees.'² It was all the more ironic, therefore, that Mrs Thatcher's departure from office should have followed on so soon after in November. Without Mrs Thatcher's personal interest, the momentum for change slowed and many of the proposals which had emerged from the Downing Street seminar were delayed, amended, or rejected. Thus, nearly one year later, in May 1991, the trade newspaper *Screen International* felt sufficiently let down to run an uncharacteristically robust editorial, denouncing the government's continuing lack of commitment to the British film industry and commenting sourly that 'there is barely a promise made by this government that is not reneged upon shortly afterwards'.³

¹ Quoted in 'An Active Agenda', *Screen International* (23-9 June 1990), 8.

² John Woodward, 'Cinema 1989-90—Production Focus', *Film and Television Yearbook 1991* (London: British Film Institute, 1990), 25.

³ 'One Ahead, Two Back', *Screen International* (17-23 May 1991), 9.

However, if Mrs Thatcher's departure had left the industry unhappy, her arrival in office had hardly been welcomed either. For it was clear from the very beginning that the policies of the Thatcher government—with their attachment to free market economics and hostility to subsidy—would be unlikely to bring the industry much comfort. Although it was not until their second term of office, and after considerable dilly-dallying, that the Thatcher government's solitary White Paper on the industry, *Film Policy* (1984), finally appeared, their approach to the film industry was apparent from an early stage.⁴ What this involved, in the first instance, was the bringing to a halt of those policies which had been gradually evolving under the previous Labour administration and which had been due to be incorporated into the forthcoming film legislation of 1980. As Dickinson and Street observe, government film policy had traditionally been conceived within the framework of commercial considerations irrespective of the party in power.⁵ During the 1970s, however, Labour had begun to move towards a more cultural stance. In the wake of the slump that had followed the massive withdrawal of US finance from British production at the end of the 1960s, the Labour Prime Minister Harold Wilson had set up a committee, under the chairmanship of John Terry, to investigate the future of the British film industry. This, in turn, was followed by the first and second reports of the Interim Action Committee on the Film Industry, chaired by Harold Wilson himself after his resignation as Labour leader. What is evident in all of these reports is the new turn in government thinking. 'A positive and constructive' film policy, the Terry report (1976) argued, 'should not be based exclusively on considerations of commercial profitability' but also 'on the benefits to be derived by the community as a whole.'⁶ This was a point echoed in the second of the Interim Action Committee's reports in 1979. 'The object of government policy for films', it suggested, was not simply economic and to create employment, encourage investment, and increase exhibition; it was also cultural and to provide aid for 'an art form' and 'films which reflect British life.'⁷ This concern to develop a policy which would encourage both the economic and cultural aspects of film was manifest in the Terry report's recommendations for substantially increased funding for film production as well as its proposal for the establishment of a British Film Authority which would coordinate and be responsible for the various activities undertaken by government. Although the proposal was accepted in principle by the Labour government, and Wilson's first report in 1978 laid out specific recommendations for its constitution, the

⁴ *Film Policy*, Cmnd. 9319 (London: HMSO, 1984). Although the government announced its review of the film industry in August 1982 this report did not appear until nearly two years later in July 1984. This was due, in part, to the general election of June 1983 and the loss of his seat by the minister responsible for the review, Iain Sproat. The review was concluded under his successor, Kenneth Baker, and the White Paper laid the basis for the 1985 *Films Act*.

⁵ Margaret Dickinson and Sarah Street, *Cinema and State: The Film Industry and the British Government, 1927-84* (London: British Film Institute, 1985), 1-3.

⁶ *The Future of the British Film Industry*, Report of the Prime Minister's Working Party, Cmnd. 6372 (London: HMSO, 1976), 10.

⁷ *The Financing of the British Film Industry*, Second Report of the Interim Action Committee of the Film Industry, Cmnd. 7997 (London: HMSO, 1979), 5.

plan was abandoned by the new Conservative regime.⁸ During the 1980s, government policy continued to suffer from a lack of overall integration and responsibility for film remained divided amongst various departments: the Department of Trade and Industry (with a responsibility for commercial matters), the Treasury (with a responsibility for fiscal affairs), the Home Office (with a responsibility for censorship, cinema licensing, and the regulation of television, cable, and satellite), the Foreign Office (with a responsibility, via the British Council, for the promotion of films abroad), and finally the Office of Arts and Libraries, created out of the Department of Education and Science in 1980 (with a responsibility, via its funding of the British Film Institute, Arts Councils, and Regional Art Associations, for the more cultural and educational aspects of film). The proposal to make one minister responsible for all of the government's film activities was revived at the time of the Downing Street seminar but still met with no favour.⁹

More generally, however, the whole tenor of the government's approach to film was to alter. This was hardly surprising of a government whose approach towards the arts in general involved cutbacks and the encouragement of business sponsorship and economic self-sufficiency.¹⁰ However, in the case of film, the new Conservative government was reluctant to conceive of it in artistic and cultural terms at all with the result that its policies were almost entirely concerned with the commercial aspects of the industry. This change in perspective was evident in the Board of Trade review of the industry written shortly after the election of the new government in response to the Wilson committee's second report on film financing. It queried how far the committee's proposals were compatible with 'the government's general policy of reducing public expenditure and the scope of the public sector' and asked what role, if any, the state should have in supporting the film industry.¹¹ A clear answer was provided by the government's White Paper which, in line with 'the government's approach to industry generally', sought to set the film industry 'free' by doing away with 'the paraphernalia of Government intervention' and an 'intrusive regulatory framework.'¹² What this meant, in practice, may be seen in relation to the three

⁸ *Proposals for the Setting Up of a British Film Authority*, Report of the Interim Action Committee on the Film Industry, Cmnd. 7071 (London: HMSO, 1978).

⁹ See Terry Blott, 'Film-makers Say Thatcher Meeting Could Spark Recovery for Film Industry', *Screen Finance* (14 June 1990), 2. After the April 1992 election, the new Conservative administration did, however, reorganize the responsibility for film, along with the arts and sport, into a new Ministry of National Heritage.

¹⁰ For a discussion of the government's general approach to the arts and arts funding, see Brian Appleyard, 'The Arts', in Dennis Kavanagh and Anthony Sheldon (eds.), *The Thatcher Effect* (Oxford: Clarendon Press, 1989); Robert Hewison, *The Heritage Industry: Britain in a Climate of Decline* (London: Methuen, 1987), esp. chap. 5, and 'United Kingdom', in Andrew Feist and Robert Hutchinson (eds.), *Cultural Trends*, no. 5: 'Funding the Arts in Seven Western Countries' (London: Policy Studies Institute, 1990).

¹¹ *Review of Policy on Film Finance* (London: Department of Trade, mimeo, June 1979), 1.

¹² *Film Policy*, pp. 12 and 18. As was the case more generally, it was the economic aspects of Thatcherism which predominated in the implementation of film policy. The 'moral' aspects were, however, in evidence in the wake of a moral panic surrounding 'video nasties' and the passing of the 1984 Video Recordings Act. For a discussion of the role of the British Board of Film Censors (BBFC) during the 1980s, see Tom Dewe Mathews, *Censored* (London: Chatto and Windus, 1994).

main planks—or 'props' as the White Paper puts it—of government support for films up to this point: the quota, the Eady levy, and the National Film Finance Corporation.

Government Policy

The quota dates back to the Cinematograph Films Act of 1927 which, in response to the decline in the number of British films in British cinemas, had required distributors and exhibitors to handle a minimum percentage of specifically British films. The government did initially extend the life of the quota but in January 1982 reduced the quota of 30 per cent for feature films by half before suspending the quota altogether from 1 January 1983. Announcing the measure to the Commons, the then 'films minister' Iain Sproat claimed that the industry would thereby be 'relieved of a formidable and unnecessary administrative burden'.¹³

Similar thinking also underlay the government's abolition of the Eady levy. This was originally devised by the Treasury official Sir Wilfred Eady and was introduced on a voluntary basis in 1950 before being made compulsory under the Cinematograph Films Act of 1957. Designed to return a proportion of box-office takings back to production, it consisted of a levy upon exhibitors' earnings and was administered by the British Film Fund Agency. Under the Films Act of 1980 and the Film Levy Finance Act of 1981, the government extended the life of the levy but, in a plan designed to reduce public expenditure, required the BFFA to allocate a proportion of its funds to the NFFC as well as the BFI and Children's Film Foundation. The 1985 Films Act which followed, however, abolished the levy completely. According to the preceding White Paper, the levy—like the quota—represented 'an unreasonable burden on the cinema exhibition industry' and had also failed to provide 'an efficient way of encouraging an economic activity that should be essentially oriented towards the market'.¹⁴

A similar line of reasoning was also applied to the NFFC. Originally designed as a temporary measure to help alleviate the then crisis in British production, the National Film Finance Corporation was established in October 1948 as a specialized bank to make loans in support of British film production and distribution. Subsequent legislation ensured a continuing role for the NFFC and, by the end of the 1970s, the NFFC had invested in over 750 British feature films. Largely as a result of growing financial difficulties, the NFFC's activities during

¹³ Quoted in *Screen Digest* (Jan. 1983), 10. Although not official, the title of 'Films Minister' was commonly applied to the minister at the Department of Trade and Industry whose responsibilities included film. One measure of the government's apparent lack of regard for the film industry is the large number of occupants of this post: no less than twelve between 1979 and 1991. This lack of continuity added to the industry's difficulties in dealing with government, including the period after the Downing Street meeting when the 'Films Minister' changed twice: Lord Hesketh replaced Eric Forth in July 1990 and Lord Reay replaced Hesketh in May 1991.

¹⁴ *Film Policy*, pp. 12 and 13.

the 1970s had become limited and between 1972 and 1979 it was involved with only twenty-nine features. However, with the appointment, by Labour, of Mamoun Hassan as the new managing director of the NFFC in January 1979 the organization's fortunes looked set to change. The corporation had a statutory duty to make loans on 'a commercially successful basis' but historically had failed to do so. This was because the low level of funds at its command had forced it to adapt to the prevailing methods of raising production finance whereby it was called upon to provide, in the form of 'end money', the riskiest proportion of a film's budget. Under the proposed changes it was now expected that not only would the Corporation receive increased funding but that it would also be encouraged to support less obviously commercial films of a type which the NFFC had only recently begun to assist (e.g. *Radio On* (1979), *Babylon* (1980)). 'The Corporation's brief', explained its annual report, 'should be to make not only films that appeal to a popular audience, but also films that will feed ideas and invention.'¹⁵ Following the general election, however, such plans were to change. 'I was taken on to lead the charge', Hassan commented afterwards, 'and very soon was mounting a siege.'¹⁶

As with the Eady levy, the Conservatives did initially lengthen the life of the Corporation. However, in doing so, they sought, not to extend its cultural mandate, but rather to put it on an even more commercial footing than hitherto. Under the 1980 Films Act and the 1981 National Film Finance Corporation Act it wrote off the Corporation's debts to the government and awarded it a final grant of £1 million. As already indicated, subsequent funding was to be derived from the Eady levy and commercial borrowing. With the decision to abolish the Eady levy, however, the government went one step further and, in effect, sought to 'privatize' the Corporation. This involved the replacement of the NFFC by the British Screen Finance Consortium which, according to the White Paper, was to continue to fulfil 'the positive functions of the NFFC, while at the same time being enhanced by the dynamic of private enterprise'.¹⁷ To encourage private investment in the new company, the government was prepared to provide £7.5 million over a five-year period at the end of which it was expected that the company should have become self-supporting. Three private investors—Channel 4, Cannon, and Rank—agreed to provide (in the form of loans) £300,000 per annum for five years, £300,000 per annum for three years, and £250,000 per annum for three years respectively. Neither Cannon nor Rank renewed their commitment after the initial three-year period. Granada then agreed to provide £750,000 over a two-year period in 1989 but it too did not renew its commitment. Channel 4 alone continued with its investment during this period.

In assessing these measures, it would be wrong to regard them as simply misguided and destructive. Thus, in the case of the quota and the Eady levy, it was

¹⁵ National Film Finance Corporation, *Annual Report and Statement of Accounts for year ended 31/3/79* (London: HMSO, 1980), 5.

¹⁶ Quoted in Raymond Snoddy, 'Mamoun Hassan: Not Going Quietly', *Stills* 13 (Oct. 1984), 8.

¹⁷ *Film Policy*, 15.

not their abolition which presented a problem so much as the absence of any alternatives to them. It was already evident in the 1970s, for example, that the quota was not being enforced and that a number of cinemas, especially independents, were failing to meet their quota of British features. One of the reasons for this was the decline in British feature production, such that the number of films registered as British for purposes of quota fell by over half, from 98 to 48, between 1971 and 1979. If the original purpose of the quota had been to stimulate British film production the evidence suggested that it was now failing to do so and that its objective might be better fulfilled by other means.

This was also true of the Eady levy which, by the 1980s, represented in real terms only one-seventh of its original value. Moreover, it had been a recurring criticism of the levy since its inception that its allocation on the basis of box-office success characteristically rewarded those least in need of it. This was amply demonstrated when the details of the levy's distribution were made public from 1979 onwards and revealed the extent to which the most commercially successful 'British' films such as *The Wild Geese* (1977), *Superman* (1978), *Alien* (1979), and *Flash Gordon* (1980) accounted for the lion's share of the pay-out.¹⁸ The other shortcoming of the system was that payments were made without regard to merit, however defined, and the Interim Action Committee in particular had complained of the way in which the fund was being used to help the makers of soft-porn (or 'films that exploit sex' as the Committee preferred to put it).¹⁹ Moreover, with the decline in cinema attendances that was a feature of the late 1970s and early 1980s there was certainly some justice in the exhibitors' claims that the levy was not only an increasingly onerous burden upon them but also an unfair one given the extent to which films were viewed on television and increasingly videotape.

As early as 1973, the Cinematograph Films Council recommended, as part of its strategy for reviving the British film industry, that a levy be imposed on the showing of films on television in order to support film production.²⁰ Underlying this proposal was a recognition that while films were increasingly important to the television schedules (in terms of both proportion of programming and audiences attracted), this was not reflected in the returns to filmmakers from television screenings and there was a suspicion that prices were being kept artificially low as a result of the BBC and ITV broadcasting duopoly. The prices paid for features by television continued to be a bone of contention during the 1980s and both the Association of Independent Producers

¹⁸ Thus, for example, for the period ending 17 Oct. 1981, the biggest Eady payments were to *For Your Eyes Only* (£500,000), *Superman II* (£500,000), and *Flash Gordon* (£405,205). In contrast, more genuinely British films such as *Babylon* (1980) received £3,069, *Memoirs of a Survivor* (1981) £1,694, *Rude Boy* (1980) £429, and Ken Loach's *Black Jack* (1979) only £138. See 'Two Tie for Top Eady Slot', *Screen International* (17 Apr. 1982), 8-9.

¹⁹ *The Financing of the British Film Industry*, 50. It had, in fact, been a recommendation of the Terry report that the proposed British Film Authority should study 'the feasibility of a system of financial support for films of outstanding artistic merit'. See *The Future of the British Film Industry*, 30.

²⁰ Cinematograph Films Council, *Thirty-sixth Annual Report for the year ended 31 March 1974* (London: HMSO, 1975), 6.

(AIP) and the Association of Cinematograph Television and allied Technicians (ACTT) lobbied for change.²¹ A much-cited example, in this regard, was that of *Chariots of Fire* (1981). This was seen by 3½ million people in the cinema who paid £7 million in order to do so. When the film was first screened on television it attracted four times this audience but at a cost to the BBC of £1 million. This sum, moreover, was high by television standards and covered more than one showing.²²

It was for all of these reasons that many accepted that the Eady levy should go but that it should be replaced by a different form of levy, either on television or videotape. Indeed, in April 1985, the House of Lords went so far as to vote in support of an amendment to the Films Bill which would have introduced this change. The amendment, however, was subsequently rejected by the Commons for reasons that had already been made clear in the White Paper. Maintaining the levy, but changing its source, it had argued, would only be appropriate should it be wished 'to recycle reasonably substantial sums into British production'.²³ It was apparent that the Conservative government did not wish to do so and it was this unwillingness to find means to support British filmmaking, rather than the abolition of the Eady levy in itself, which represented the real problem for the production sector of the British film industry.

This unwillingness was also evident in the government's approach to fiscal matters. Following the recommendation of the Interim Action Committee's second report, the Inland Revenue had ruled in 1979 that films could be treated as 'plant' which were eligible for 100 per cent capital allowances in the first year. As a result of this ruling the financing of film production became more attractive to City institutions which, through the operation of leaseback deals, became increasingly involved in the support of British films (including, for example, *Chariots of Fire*, *Educating Rita* (1983), and *Local Hero* (1983)). Despite this boost to production, the scheme was not permitted to survive. The scheme underwent a number of amendments before the Chancellor announced in 1984, the same year as the White Paper, that he was abolishing it altogether and that the first-year allowances would be phased out by 1986. Although the White Paper argued that these changes would 'encourage efficiency and enterprise' the evidence suggested otherwise.²⁴ Investment in film which had been rising steadily during the 1980s fell dramatically from 1986 onwards, dropping from £270.1 million to £135.7 million in 1988 and to only £49.6 million in 1989. Although the withdrawal of capital allowances was not solely responsible for this fall, it was sufficiently important a factor for the industry to continue to lobby for

²¹ See, for example, A.C.T.T.'s *Response to the Government White Paper 'Film Policy'* (London: undated) which advocates a levy on films shown on TV as well as on prerecorded and blank videocassettes (17-18).

²² These figures are cited by Guy Phelps in 'A Degree of Freedom: Simon Relph at British Screen', *Sight and Sound* (Autumn 1987), 269.

²³ *Film Policy*, 11.

²⁴ *Ibid.* 12. For a discussion of the capital allowance scheme see two articles by Alan Stanbrook, 'The Land of the Rising Sun', *Stills* (July-Aug. 1985), and 'When the Lease Runs Out', *Sight and Sound* (Summer 1984).

tax incentives which would at least match those of other European countries. This campaigning looked like it might meet with some success following the Downing Street seminar when two working parties, one on the structure of the industry and one on tax reform, were established. The second of these, under the chairmanship of then BFI director Wilf Stevenson, reported later that year and made three main recommendations: tax relief for foreign artists working in the UK, accelerated write-offs against tax, and the establishment of a new tax vehicle, modelled on the French SOFICAS, which would entitle shareholders to tax exemption or deferral. All of these proposals were rejected, however, by the Chancellor Norman Lamont in his 1991 Budget.²⁵

The major form of state support for film production to survive, in this respect, was the annual allocation of £1.5 million to British Screen. Despite the low levels of funds at its disposal, the company, under its first Chief Executive Simon Relph, managed to defy the gloomy forecasts of its early critics. Indeed, in both the quantity and range of the films which it supported it actually did rather better, during the 1980s, than its predecessor the NFFC had been able to (operating albeit under inauspicious circumstances). Thus, while the NFFC was involved in only seventeen completed features between 1980 and 1985, British Screen had a stake (in the form of investments and guarantees) in forty-four features in the period 1986 to 1989. Admittedly, in doing so, Relph was required to adopt a more commercial approach than Hassan: providing a lower proportion of a film's budget, insisting upon faster returns on his investments, and making finance conditional upon a sales agreement. Unlike Hassan, Relph was also reluctant to either commission scripts or be the first to commit to a project. The support of the company for 'quality British film' was, however, sustained and the projects in which it was involved were impressively diverse including, for example, *The Belly of an Architect* (1987), *The Last of England* (1987), *Stormy Monday* (1987), *Venus Peter* (1989), and *Hush-a-Bye Baby* (1989).²⁶ Indeed, in one particular case, British Screen proved more adventurous than the NFFC insofar as it was able to provide support for Mike Leigh's *High Hopes* (1988) despite the absence of a script.

However, although British Screen achieved a generally respectable return on its investments and won some notable commercial success (especially in the case of *Scandal* (1988)), it did not succeed as a profit-making enterprise and failed to become self-supporting by the end of the 1980s as the government

²⁵ See Neil McCartney and Mark Le Fanu, 'Treasury Ponders Return to Eady Levy as Industry Awaits Budget Explanation', *Screen Finance* (17 Apr. 1991), 1-3. According to the authors it was felt by government that accelerated write-offs were too like the capital allowances which had been scrapped and that the SOFICAS (Sociétés de Financement de l'industrie Cinématographique et Audiovisuel) were insufficiently different from the UK Business Enterprise Scheme (BES) which had failed to stimulate investment in film. The BES scheme allowed tax relief to individuals investing in film companies but was restricted to £40,000 per year and was thus unlikely to have been a major source of film finance. The BES regulations also limited the amount raised by a single company to £500,000 in any one year. British Screen had sought an exemption from this rule but were refused by the government. See 'British Screen Drops BES Plan', *Screen International* (2 July 1988), 2.

²⁶ For an assessment of British Screen's early performance, see Adam Dawtrey, 'British Screen Pushes for Private Cash to Match Renewed Government Support', *Screen Finance* (26 July 1989).

had hoped. As a result, Relph negotiated a postponement of loan repayments (subsequently converted to equity) due to the initial investors in 1989 and the Department of Trade and Industry also agreed to a continuation of funding.

British Screen, in this respect, benefited from the government's apparent reluctance to follow through fully its commitment to the logic of the marketplace. Some of this reluctance undoubtedly derived from a belated recognition of the almost impossible demands that had been made upon the organization. For while British Screen was required to be run on 'a commercially successful basis' it was not free to operate as a purely commercial enterprise insofar as it was also obliged to encourage specifically British film production and foster British talent.²⁷ Moreover, what must also have become apparent was how important a role British Screen played in this regard. In 1984, the White Paper had expected the contribution of the company to British film production to be 'modest'. However, by the end of the decade, British Screen had, in fact, become a major source of British production finance, as was demonstrated by its involvement in 25 per cent (i.e. fourteen out of fifty-six) of all British production starts in 1988. It occupied, in this respect, such a key position within the industry that even a Conservative government must have had reservations about simply abolishing it, particularly given its own failure to stimulate the commercial sector of the industry in the way it had promised.

Failing Production

Some indication of this failure is provided by a comment found in the second report of the Interim Action Committee. Writing in 1979, the Committee observed that there were only three British film companies which invested in film to 'a material extent': Rank, Associated Communications Corporation (ACC), and EMI.²⁸ Seven years later, however, the involvement of all these companies in production had largely ended. The first to pull out was Rank. Rank's investment in film production during the 1970s had in fact been quite modest (around £1.5 million a year) until it decided to embark upon a new production programme in 1977 (involving an estimated investment of about £10 million). However, the company was uncertain about what films to make and what audiences to address with the result that it oscillated uneasily between playing safe (a television spin-off, *Wombling Free* (1978), re-makes of *The Thirty-Nine Steps* (1978), and *The Lady Vanishes* (1979)) and taking risks on films which it was then unsure how to handle (Anthony Harvey's western *Eagle's Wing* (1979), Nicholas Roeg's *Bad Timing* (1980)). Significant commercial success proved

²⁷ Thus, in addition to 'encouraging the production of British films on a commercially successful basis' the policy of British Screen is 'to encourage British talent and original high quality British film work, especially from younger less established producers and directors'. See British Screen Finance Limited, *Report and Accounts for the year ended 31 December 1987*, 2.

²⁸ *The Finances of the British Film Industry*, 2.

elusive and the company's enthusiasm for production soon waned. In June 1980 it announced that it was pulling out altogether. In the event, Rank Film Distributors did continue to invest—on and off—in some films (in return for non-US distribution rights) but this was confined almost entirely to 'safe' American films for which US distribution deals were already in place. Thus, apart from its initial loan to British Screen (a small sum compared to what the company saved from the abolition of the Eady levy), its contribution to British production for the rest of the decade was negligible (e.g. *The Fourth Protocol* (1985) and *Dealers* (1989)).

If Rank's production policy of the late 1970s had lacked direction, the strategies of ACC, under Lew Grade, and EMI, chaired by his brother Bernard Delfont, were much clearer. Impressed by the huge earnings of the 'big' US films of the mid-1970s (such as *Star Wars* (1977)) and emboldened by the commercial success of EMI's own *Murder on the Orient Express* in 1974, both companies set their eyes firmly on success in the US market. In the case of ACC, they were responsible for about fourteen films a year between 1976 and 1981, most of which were self-consciously tailored to appeal to what was imagined to be American taste (e.g. *The Cassandra Crossing* (1976), *The Boys from Brazil* (1978), *The Medusa Touch* (1978)). Although no major hit was forthcoming, some of the films did at least do reasonably well (e.g. *The Eagle Has Landed* (1976)) and, because of Lord Grade's skills at pre-selling, ACC's losses were kept to manageable levels. However, with ACC's expansion into both exhibition (the acquisition of the Classic cinema chain) and distribution (the setting up, with EMI, of a US distribution arm, AFD) the company became overstretched and was unable to carry the scale of losses incurred by such an expensive flop as *Raise the Titanic* (1980), a film which for a time became synonymous with the collapse of the British film industry. In June 1981 it was revealed that ACC's film division had lost £26.4 million. The Classic chain was put up for sale, Grade's film programme was brought to a halt and Grade himself departed his own company the year after following a takeover by the Australian businessman, Robert Holmes à Court. As part of the Bell Group, ACC's filmmaking division ITC survived but with the exception of the occasional film (e.g. *Whoops Apocalypse* (1986)) its contribution to film production was, like Rank's, negligible.

ACC's attempts to compete with Hollywood were taken one step further by EMI when, in 1976, it acquired British Lion and with it the services of Barry Spikings and Michael Deeley. During the 1970s, EMI had maintained a revolving fund of about £5 million which it had invested in films oriented primarily towards the domestic market (comedies, TV spin-offs, horror). With the arrival of Spikings and Deeley, the company were persuaded not only to aim for the US market but to do so by actually making American films in America. *The Deer Hunter* (1978) and *Convoy* (1978) provided this policy with some initial success but subsequent films, made after Deeley had left, proved financially disastrous. *Can't Stop the Music* (1980) and *Honky Tonk Freeway* (1981), EMI's most expensive film ever, cost the company particularly dear and the attempt to beat Hollywood at its own game was ended.

A financially enfeebled EMI had by now been taken over by the electrical giant Thorn for whom Spikings embarked upon a new production programme. Although this was again American in orientation it was much more modest in scale (*Frances* (1982), *Tender Mercies* (1982), *Handgun* (1982)) and also included two British films: David Gladwell's *Memoirs of a Survivor* (1980), and Lindsay Anderson's *Britannia Hospital* (1982) which were both made in association with the NFFC. The films division, however, continued to sustain losses and, following the arrival of Verity Lambert in late 1982 as the new head of production, Spikings left. In contrast to the last project to be initiated by Spikings, *Slayground* (1983) which was partly shot in the US with an American star, Lambert now committed the company to a policy of medium-budget British filmmaking. *Comfort and Joy* (1984), *Morons in Outer Space* (1985), and *Clockwise* (1986) were amongst the films that followed but they failed to do sufficiently well to win the renewal of Lambert's contract at the end of three years. The Chief Executive of Thorn EMI Screen Entertainment (TESE), Gary Dartnall then in effect closed down the company's in-house production division and announced in its place a system of development deals with independent producers. However, before these arrangements were to show any tangible results TESE was sold, in March 1986, first to the Australian Alan Bond and then, only one week later, to Cannon. In the face of considerable hostility, Cannon's owners, Menahem Golan and Yoram Globus, declared their commitment to British film production and established a fund to assist first-time directors. *Business as Usual* (1987), and *The Kitchen Toto* (1987) were made under this scheme but Cannon, whose financial affairs had been the subject of much speculation, faced mounting debts, leading not only to an end to their British production activity but also the controversial sale of the studio at Elstree (which eventually passed into the hands of Brent Walker). The Cannon Corporation was then itself acquired by the Italian Giancarlo Parretti's Pathé Communications which in turn faced financial difficulties following its surprise acquisition of MGM/UA.

The demise of Thorn EMI was also a blow to the credibility of the government's film policy. In November 1984, the then Films Minister Norman Lamont had cited Thorn EMI as an illustration of the 'impressive strength' of the British film industry when addressing objections to the government's Film Bill in the Commons.²⁹ What was even more ironic, however, was that his other two 'notable examples' of companies successfully investing in film—Goldcrest and Virgin—should also have ceased their involvement in production so soon afterwards as well.

The collapse of Goldcrest was particularly striking in this regard given the way in which the company had come to symbolize such a large part of the much discussed 'renaissance' of the British cinema of the early 1980s. This was particularly so following the Oscar-winning successes of *Chariots of Fire* in 1981 and *Gandhi* in 1982, two of the films in which the company had been involved

²⁹ *Parliamentary Debates (House of Commons)*, Sixth Series, vol. 68, col. 29 (19 Nov. 1984).

(although, in the case of *Chariots*, nothing like to the extent to which it was commonly assumed).²⁰ Indeed, the government's White Paper cited the success of these two films specifically when justifying their proposals to reduce state support for British filmmaking. Goldcrest had been founded by the Canadian Jake Eberts and had evolved from a small film development company (involved in such projects as *Watership Down* (1978), *Black Jack* (1980), and *Breaking Glass* (1980)) into a major production company responsible for a number of successful features, including not only *Gandhi* but also *The Killing Fields* (1984), *Local Hero*, *The Ploughman's Lunch* (1983), and *Another Country* (1984). Although a number of these were expensive productions, Eberts pursued a policy of financial prudence, keeping his films' budgets tight and spreading the risks as far as possible through co-investment deals and pre-sales. Following Eberts' departure from the company in 1984 and his replacement by James Lee as Chief Executive, Goldcrest embarked upon a much more ambitious policy, becoming involved simultaneously in three high-budget projects: *Revolution* (1985), *Absolute Beginners* (1986), and *The Mission* (1986). This production programme was, according to Eberts, 'wrong on every level': 'the scripts were not good ... all the films were too expensive, and ... too much risk was spread across too few productions'.²¹ These problems were added to when the films overran their already inflated budgets (in the case of *Revolution* by £4 million), promised equity finance did not materialize, and the company was faced with a cash-flow crisis. The films then did badly at the box office and together lost the company over £15 million. Ironically, the much more modestly budgeted productions in which Goldcrest had been involved, such as *Dance with a Stranger* (1985) and *A Room with a View* (1985), were to turn a profit. *A Room with a View*, moreover, outperformed all three films at the US box office despite only costing a fraction (£2.3 million) of the budgets of *Revolution* (£19 million) and *The Mission* (£17.6 million). Although Eberts returned to the company in 1985 (replacing the ousted Lee), his job was basically to mop up the mess so that when Goldcrest was sold in 1987 to Brent Walker it amounted to little more than a sales and distribution company. The new Goldcrest did subsequently return to production but only on a small scale and with the US market primarily in mind (e.g. Mike Hodges' *Black Rainbow* (1989)).

A further casualty of the Goldcrest débâcle was the third company cited by Lamont: Virgin. Virgin Films had been formed in 1980 to distribute *The Great Rock 'n' Roll Swindle* featuring the Sex Pistols who had been a profitable source of income for Virgin Records. Under Al Clark, the company moved into

²⁰ Goldcrest had, in fact, provided initial development money of £17,000 for *Chariots of Fire*. The actual production finance was provided by Allied Stars, the film company of Egyptian shipping millionaire Mohammed Al Fayed, and Twentieth Century-Fox. It was no small irony that such a quintessentially British film, and the harbinger of the British cinema's 'renaissance', should have been funded from Egyptian and Hollywood sources.

²¹ *My Indecision is Final: The Rise and Fall of Goldcrest Films* (with Terry Iott) (London: Faber and Faber, 1990), 654. Terry Iott argues, on the basis of profitability forecasts, that the company's investment of £35 million was based on the expectation of a 'probable' return of £6 million but at a risk of losing £21 million (ibid. 620).

production, providing support for Richard Eyre's *Loose Connections* (1983), Zelda Barron's *Secret Places* (1984), and Steve Barron's *Electric Dreams* (1984), one of a number of films with a musical cross-over interest for Virgin. The company, however, sustained losses with *1984* (1984) (a film spoken of approvingly by Lamont) and, as a result, became more cautious about film investment. The company believed it was on relatively safe ground when investing, along with Goldcrest, in *Absolute Beginners*. The failure of this film, however, proved to be the last straw and a few months after the opening of *Absolute Beginners*, the company announced, in October 1986, that it was withdrawing from equity financing.

The effects of Goldcrest's collapse were also more widespread. One of the company's successes had been to make use of the capital allowance scheme and attract normally reluctant City investors (insurance companies, investment trusts, and pension funds) into film production. The failure of the company, however, reminded the City just how risky film investment could be and undermined confidence in the industry as a whole. With the simultaneous removal of capital allowances by the government, it was not surprising that City funding declined dramatically with the result that it became virtually impossible, as Iott observes, 'to raise finance outside the entertainment industry itself'.²² However, by the end of 1986 (following the withdrawal of Rank and others from production), there was virtually no British film company involved in financing production either.

One consequence of this lack of British funding was an increasing tendency to look to the US for finance. This was not, however, a reliable substitute. The US majors were generally reluctant to invest in indigenous British features, preferring to use Britain as a base for their own productions (shooting, for example, *Batman* at Pinewood and *Indiana Jones and the Last Crusade* at Elstree in 1988). British production companies did, in the mid-1980s, succeed in securing good deals with US independent distributors such as Cinecom, Atlantic, and Orion Classics (who enjoyed considerable success with films such as *A Room with a View*, *My Beautiful Laundrette* (1985), and *Wish You Were Here* (1987)). However, in the face of increasing competition from the majors, many of these companies began to encounter severe financial difficulties and subsequently became much more cautious about investing in British productions. As a result, there was a certain pressure on UK producers 'to adopt transatlantic production values in order to sell their films to US film distributors' and this became manifest in the way that a number of companies such as Handmade, Palace, Zenith, and Working Title began to reorientate themselves towards the US market at the end of the decade.²³ However, the degree of risk involved in this approach was substantial and led, in most cases, to an exacerbation, rather than easing, of the financial problems that British production companies faced.

²² Ibid. 652.

²³ Adam Dawtry, 'US Distribution Crisis: UK Producers Have to Look Harder for New Ways to Raise Production Finance', *Screen Finance* (5 Oct. 1988), 19.

Like Virgin, Handmade Films was initially conceived with a specific purpose in mind: the production of *Monty Python's Life of Brian* (1979) which EMI had developed but subsequently pulled out of because of its controversial subject-matter. Ironically, in the light of EMI's production policy of the time, *Life of Brian* went on to become the United Kingdom's fourth biggest earner of 1979 and to take more than \$124 million at the United States box office. Emboldened by such success, Harrison and his then business manager, Denis O'Brien, proceeded with a policy of producing low-budget comedies, often involving members of the Python team (*The Missionary* (1981), *Privates on Parade* (1982), *A Private Function* (1984)). Terry Gilliam's *Time Bandits* (1981) proved particularly successful in the United States and later films such as *Mona Lisa* (1986) and *Withnail and I* (1986) also did well there. A shift towards more American projects was begun with the Sean Penn and Madonna vehicle *Shanghai Surprise* (1986) and was followed by a series of American or American-based projects such as *Five Corners* (1987), *Track 29* (1987), *Powwow Highway* (1988), *Checking Out* (1988), and *Cold Dog Soup* (1989). These, however, performed badly; the company cut back on its production and, despite some belated success with *Nuns on the Run* (1990), pulled out of feature production altogether in 1990 (eventually selling up in 1994). In 1984 the company had narrowly failed to finalize a deal with City investors (Prudential) and had continued to finance production through a mix of its own resources and pre-sales. Despite O'Brien's reputation for financial prudence, the company became overstretched when success in the US market proved elusive. Faced with such poor returns, George Harrison's enthusiasm for (and willingness to finance) film production faltered and the company's production policy went into decline.

Indifferent performance in the US also contributed to the difficulties of Palace. Ironically, Palace had survived the financial débâcle of *Absolute Beginners* which had cost both Goldcrest and Virgin so heavily. However, this reprieve was destined to be shortlived. The company had begun in video distribution (where it scored significant successes with films such as *Diva* (1981) and *The Evil Deal* (1982)) before moving into film distribution (with Neil Jordan's *Angel* (1982)) and then into production (Neil Jordan's *Company of Wolves* (1984)). It was also a Neil Jordan film (made for Handmade)—*Mona Lisa* (1986)—which helped to re-establish the company's credibility as a producer after the bad publicity of *Absolute Beginners*. The company opened an American office and also succeeded in securing City investment (in the form of a revolving credit loan from the merchant banks Guinness Mahon and Pierson, Heldring and Pierson). Results, however, were mixed. Palace's first all-American film, *Siesta* (1987) and Neil Jordan's *High Spirits* (1988) (made with US money but shot in England and Ireland) did badly while the company's second American project *Shag* (1987) along with *Scandal* both performed well. In 1989, Palace then went into production with *The Big Man* (1990) and *Hardware* (1990) followed, the following year, by *The Miracle* (1990), *The Pope Must Die* (1991), and *A Rage in Harlem* (1991) (another all-American project). Although none of these were comparable in cost to those that had brought down Goldcrest (the most expensive of the group

being *A Rage in Harlem* at £5.6 million), the budgets were high relative to prospective earnings and represented a substantial investment for a small company with few capital reserves. In March 1990, a strategy review, undertaken by the consultant Stoy Hayward, reported that the company was suffering from 'an excessive spread of activities' and 'an inadequate level of financial resources'.³⁴ This was apparent not only across the Palace Group as a whole (which, in addition to production, was involved in film and video distribution, video retail, television production, recorded music, and software) but also the programme of production embarked upon by Palace Productions. Thus, when the returns on these films proved poor, the company lacked the resources to cover its losses and faced a growing mountain of debt. A rescue package was negotiated with Polygram (then owned by the Dutch electronics company Philips) but this fell through when Polygram realized the full extent of Palace's debts. As a result, in May 1992, Palace Productions went into administration. Unfortunately, the company's biggest success, *The Crying Game* (1992), which earned over \$62 million at the US box office in 1992–3, came too late to make any difference to the company's fate.

Ironically, Steve Woolley of Palace had justified the move towards bigger-budgeted films aimed at the US market as a way of breaking out of low-budget British production and ensuring financial viability.³⁵ However, without the resources to ride failure, there is, as the examples of Palace and Handmade both reveal, little guarantee of success. This is also demonstrated, in a different way, by the experience of Working Title. Working Title was formed by Sarah Radclyffe and Tim Bevan in 1984 and scored an early success with *My Beautiful Laundrette* (1985). This was then followed by a series of films including *Caravaggio* (1986), *Sammy and Rosie Get Laid* (1987), *Wish You Were Here* (1987), *A World Apart* (1987), and *For Queen and Country* (1988) which earned the company a reputation for producing low-budget dramas with a political edge. As with other companies, there was then a certain reorientation towards the US market (and bigger budgets) when they became involved in *The Tall Guy* (1989) and *Chicago Joe and the Showgirl* (1989) towards the end of the 1980s. Although neither of these films was especially successful, the attempt to succeed in the US market gained momentum when Polygram acquired a stake in the company in 1991 as part of its strategy to become a 'European major'. However, while Polygram and Working Title subsequently enjoyed great success with *Four Weddings and a Funeral* (1994), many of their other projects did poorly and Polygram's film division as a whole lost money.³⁶ In this way, Working Title, unlike Handmade and Palace, benefited from the protection

³⁴ Quoted in Angus Finney, *The Egos Have Landed: The Rise and Fall of Palace Pictures* (London: Heinemann, 1996), 225.

³⁵ Cited in Duncan Petrie, *Creativity and Constraint in the British Film Industry* (Basingstoke: Macmillan, 1991), 104.

³⁶ Writing in 1997, Martin Dale points out that Polygram's film division 'has lost \$20–40 million in every year since starting'. See *The Movie Game: The Film Business in Britain, Europe and America* (London: Cassell, 1997), 156.

of a large multinational corporation that was prepared (and able) to sustain short-term losses in the interests of a longer-term strategy (involving not just production but also distribution).

Declining Profitability

When introducing the government's Film Bill to the Commons the then Films Minister Norman Lamont predicted that the British film industry was on 'the threshold of a strong commercial future'.³⁷ In line with the government's general economic policies this was to be achieved by the reduction of state support for film and a resulting exposure of the industry to the bracing winds of market forces. By the end of the decade it was clear that Lamont's optimism had been misplaced. Far from thriving, the traditional commercial sector of the industry had all but collapsed. That it did so illustrates one of the major shortcomings of the Conservative government's commitment to the virtues of the free market. For as a number of commentators have observed of the government's economic policies more generally, a reliance on the free play of market forces does not in itself reverse industrial decline but only reinforces existing market strengths and weaknesses.³⁸ This was particularly so in the case of the film industry where state intervention was historically based upon a recognition that the British film industry did not, and could not, compete on equal terms within the international film market. By withdrawing its support, therefore, the government did not revive the industry, only enfeebled it further.

The weakness of the British film industry in this respect derives from the pre-eminent position enjoyed by Hollywood within the world market. Filmmaking is, of course, a particularly high-risk industry. Indeed, to describe even mainstream film production as 'commercial' can be misleading insofar as a substantial percentage of films do not, in fact, make money. Within the West it is only the Hollywood majors that have been able to spread the financial risks of production in such a way as to make filmmaking, more or less, consistently profitable. That they have been able to do so is the result of a number of factors: the scale of their production (in terms of both quantity and cost); the size of the US home market and the returns which this provides;³⁹ the ability, through control of distribution, to restrict foreign access to the US market; and the ownership or control of an international network of distribution and exhibition

³⁷ *Parliamentary Debates*, vol. 68, col. 38 (19 Nov. 1984).

³⁸ See Colin Leys, 'Thatcherism and Manufacturing', *New Left Review*, no. 151 (May–June 1985), and Perry Anderson, 'The Figures of Descent', *New Left Review*, no. 161 (Jan.–Feb. 1987), who both argue for the importance of the state adopting a 'developmental' (Leys) or 'regulative' (Anderson) role in reversing economic decline.

³⁹ Box-office returns from the US and Canada were, in 1990, about ten times those of the UK and accounted for around 40 per cent of world box-office. See figures in Ilott, *Budgets and Markets: A Study of the Budgets of European Film* (London: Routledge, 1996), 13.

interests.⁴⁰ On the basis of these economic advantages, the Hollywood majors are not only in a privileged position to make money out of their films but also to dominate other national markets. Britain and the United States do not compete on equal terms in this respect and, with the abolition of the quota, Hollywood's domination of the British market was strengthened. Thus, in 1990, US films accounted for 88 per cent of UK box-office revenues.⁴¹

In this respect, the British film industry found itself in a position similar to that of the 1920s when the government had first introduced a quota for British films as a result of dwindling market share. The responses to US domination which were open to the production sector of the British film industry in the 1980s were, however, different from this earlier period. Historically, British cinema had been faced with the choice of attempting to compete directly with Hollywood in the international market, or relying primarily on the domestic market for commercial viability. Direct competition with Hollywood at an international level involved the attempt to secure success in the US market by emulating the Hollywood model (and cost) of filmmaking. This was attempted at various junctures in the history of British cinema: by Alexander Korda in the 1930s, by Rank in the 1940s, and, of course, by EMI, ACC, and Goldcrest in the 1970s and 1980s. In all cases, these attempts proved financially disastrous and the collapse of Goldcrest marked something of a retreat from what one writer has described as 'the traditional kamikaze assault on the American theatrical ... markets'.⁴² Some companies such as Handmade and Palace did subsequently aim for the US market with a different style of cheaper 'independent' production but even this policy proved impossible to sustain. It is therefore the second strategy—competition in the domestic market—that has traditionally formed the bedrock of British cinema.

As a result of the quota (and later some additional forms of state support), the existence of a commercial British cinema which did not compete with Hollywood internationally but only in the home market proved possible from the 1930s to—just about—the 1970s (when Hammer horror, the *Carry Ons*, and the *Confession* films all ceased production). The basis of this cinema, however, was an audience of sufficient size to sustain its economic viability. In the 1980s, this viability became increasingly threatened by falling audience figures. Since their peak of 163.5 million in 1946, cinema admissions fell steadily until they

⁴⁰ This last point is particularly emphasized by Nicholas Garnham who argues that 'the power and prosperity of the majors is based upon control of worldwide distribution networks which give them alone the possibility to balance, on world scale, production investment with box-office revenue'. See 'The Economics of the US Motion Picture Industry', in *Capitalism and Communication: Global Culture and the Economics of Information* (London: Sage, 1990), 203. For a more general discussion of the competitive advantage enjoyed by Hollywood, see Steve McIntyre, 'Vanishing Point: Feature Film Production in a Small Country', in John Hill, Martin McLoone, and Paul Hainsworth (eds.), *Border Crossing: Film in Ireland, Britain and Europe* (Belfast and London: Institute of Irish Studies/BFI, 1994).

⁴¹ See 'UK Film, Television and Video: Statistical Overview', *BFI Film and Television Yearbook 1993* (London: BFI, 1992), 41.

⁴² Ian Christie, 'National Cultural Identity in Television and Film—European Methods of Subsidising National Production and Protection against Multinational Penetration', in *The European Film in the World Market* (Vienna: Austrian Film Commission, 1980), 15.

reached an all-time low of 54 million in 1984. Although this figure subsequently rose (largely as a result of the opening of multiplexes from 1985 onwards), the 94.5 million admissions recorded in 1989 was still lower than any figure recorded during the 1970s (when the lowest was 103.5 million in 1977).⁴³ Although gross box-office levels were in part maintained through increases in ticket prices, it was clear that the returns which a British film could expect from the domestic market were considerably lower than in previous decades. Thus, whereas it was once possible for a British film to recoup its costs on the home market this proved virtually impossible for the vast majority of British movies during the 1980s. Thus, in 1989, only five 'British' films earned over £1 million and two of these—*Wilt* and *The Tall Guy*—earned less than their costs of production. Even those that did 'cover' their costs were not necessarily guaranteed a profit, however. Given that only a small proportion of box-office revenues actually return to the producer rather than the exhibitor and distributor, even such an apparent success as *Scandal* would only have recovered a fraction of its production costs—of £3.2 million—from its UK takings of £3.7 million.⁴⁴

Hollywood did, of course, have to contend with falling audiences as well. However, by the end of the 1980s, the major studios—Warner Bros, Disney/Buena Vista, Paramount, MCA/Universal, 20th Century-Fox, Columbia/TriStar, and MGM/UA—were more profitable than ever as a result of their ability to take advantage of the new market for video, the revenues from which grew from 1 per cent of studio income in 1980 to over 45 per cent in 1990.⁴⁵ The video market also grew substantially in the UK so that, in 1989, the spending on film on video (both rental and retail) was four times greater than the UK theatrical box office.⁴⁶ However, the growth of this market for film has largely been to the benefit of Hollywood films which have dominated video sales and rentals even more than theatrical box office. As a result, the return to the British film industry from video during the 1980s was relatively insubstantial. Thus, while Hollywood studio films were able to compensate for the drop in audiences at cinemas by generating revenues from video (and pay-TV), this was not generally the case with British films. There was also little evidence of a willingness on the part of British video companies to invest in British film despite the increasing size of the video market. The large Parkfield Group did invest in

The Krays but its collapse in July 1990 meant few others were tempted to follow its example.

Changing Structures

This declining profitability of British film also led to a restructuring of the British film industry. In the wake of the 1927 Cinematograph Films Act, and its establishment of a British film quota, the British film industry moved steadily, during the 1930s and 1940s, towards an integration of production, distribution, and exhibition interests. This, in turn, led to the domination of all aspects of the industry by two organizations, Rank and ABPC, by the end of the Second World War. It also lay the basis for a modest domestic version of the Hollywood studio system whereby these two companies ensured a regular supply of films for their cinemas through production in their own studios. As cinema audiences began to decline, however, the economic basis of this system began to be threatened, and the two British majors increasingly devolved responsibility for actual production onto independent producers. This process of devolvement then reached its conclusion in the mid-1980s when the withdrawal of Rank, Thorn EMI, and Cannon not only from direct involvement in production but also investment in production led to an almost complete divorce within the industry between producers on the one hand and distributors and exhibitors on the other.

This meant that British film production during the 1980s was largely carried on by independent production companies who typically put together projects on an irregular or one-off basis. Thus, no less than 342 production companies were involved in film production during the decade and the majority of these—250—were involved in only one film (many, in fact, having been set up solely for this purpose).⁴⁷ Few of these companies were involved in production on a continuing basis and only a handful—such as Handmade and Goldcrest—made more than ten films. And, as has been seen, even these were unable to sustain a secure position within the industry. Although Hollywood underwent a similar process of restructuring production, adopting what Storper and Christopherson describe as a 'vertically disintegrated' system of 'flexibly specialized production', the US majors, none the less, continued to be the key players in the financing of Hollywood productions.⁴⁸ Insofar as this was not the case in the UK, the split between producers and distributors and exhibitors necessarily added to the problems of the production sector which not only lost a stable source of finance but also the security of a guaranteed outlet which a vertically integrated industry had once provided.

⁴³ See Richard Lewis, *Review of the UK Film Industry: Report to BSAC*, mimeo (London: British Screen Advisory Council, 1990).

⁴⁴ Michael Storper and Susan Christopherson, 'Flexible Specialization and Regional Industrial Agglomerations: The Case of the US Motion Picture Industry', *Annals of the Association of American Geographers* vol. 77, no. 1 (1987).

⁴³ 'UK Film, Television and Video: Overview', *BFI Film and Television Handbook 1998* (London: BFI, 1997), 42. The first purpose-built multiplex was opened in Milton Keynes in 1985. By 1989 the total number of multiplexes was twenty-nine and, by 1990, forty-one (or 24 per cent of all UK screens). See Monopolies and Mergers Commission, *Films: A Report on the Supply of Films for Exhibition in Cinemas in the UK* Cm. 2673 (London: HMSO, 1994), 96. The multiplexes were particularly responsible for encouraging more cinemagoing on the part of the over-35s, women, and the better off (social groups ABC1). See Karsten-Peter Grummitt, *Cinemagoing*, 4 (Leicester: Dodona Research, 1995), 3.

⁴⁴ According to Monopolies and Mergers Commission figures for 1990, exhibitors' and distributors' costs and profits accounted for 84.8 per cent of box-office takings. See *Films: A Report on the Supply of Films for Exhibition in Cinemas in the UK* Cm. 2673 (London: HMSO, 1994), 118.

⁴⁵ These percentages are based on calculations made by Goldman Sachs which appear in *Screen Finance* (5 May 1993), 8.

⁴⁶ Sara Selwood (ed.), *Cultural Trends 1995: Cultural Trends in the '90s*, Part 1, Issue 25 (London: Policy Studies Institute, 1995), 6.

The exhibition and distribution sector, moreover, had no particular interest in the showing of British films and increasingly drew its income from Hollywood products. This was a position exacerbated by the continuing concentration of exhibition interests in the UK as well as the growing power of US distributors over UK cinemas. In 1983 the Monopolies and Mergers Commission found against both Rank and EMI, and their aligned distributors, which they estimated controlled some 60 per cent of the film exhibition market and an even greater share of the film distribution market in Britain.⁴⁹ Despite its commitment to the free market, the government was reluctant to take remedial action, especially as it was dependent upon the goodwill of Rank and EMI in the founding of British Screen. The Office of Fair Trading subsequently undertook an experiment to investigate how distribution and exhibition could be made more competitive but it was not until the end of 1987 that it reported and a further year before it actually came up with some proposals regarding barring.⁵⁰ During this time the duopoly extended its control of exhibition and distribution even further so that, when Cannon took over the ABC chain (as part of its acquisition of Thorn EMI), the two leading companies accounted for two-thirds of all UK box-office revenue. Patterns of exhibition did, of course, alter following the opening of multiplex cinemas, mainly by US exhibitors, from 1985 onwards.⁵¹ However, MGM Cinemas (following MGM Pathé's acquisition of Cannon) and Rank still remained the largest exhibitors at the end of the decade and accounted for substantially the same amount of box-office share as previously reported by the Monopolies Commission.

As these chains (along with the new US-owned multiplexes) were closely tied to Hollywood distributors, this inevitably added to the problems of film producers. MGM Cinemas was aligned with United International Pictures (UIP), jointly owned by MCA/Universal, MGM, and Paramount, as well as with Warners while the Odeon chain was aligned with Fox, Columbia, and Buena Vista (a subsidiary of Disney). As the Monopolies and Mergers Commission argued, in a further report in 1994, this practice of alignment represented 'a form of market sharing' and clearly restricted competition.⁵² It also helped to ensure the dominance of Hollywood films in the UK market insofar as UIP, Warner Distributors, Columbia, Buena Vista, and Fox—all distribution

subsidiaries of Hollywood majors—commanded the lion's share of the UK box-office (a striking 84.6 per cent in 1989).⁵³ As a result, the Commission found evidence of both a 'scale monopoly' (i.e. market share of over 25 per cent) in the case of MGM Cinemas and a 'complex monopoly' (i.e. the operation of anti-competitive practices) in the case of the leading distributors and exhibitors. Although they were reluctant to link this monopoly situation to the low percentage of British films on British screens, it seems clear that the alignment between major distributors and the leading exhibition circuits (either tied to or owned by US interests) made it much more difficult for independent British films to secure an adequate release. As Simon Relph reported in his paper for the Downing Street seminar, while 'big budget popular British films' were generally able to gain access to the main circuits, 'cheaper films with a smaller but still clearly identifiable audience'—in effect the bulk of British films—had much more 'difficulty in getting sufficient access to the market place'.⁵⁴ Thus, even two successful films such as *My Beautiful Laundrette* and *Letter to Brezhnev* (1985) were turned down by both Rank and EMI. Moreover, as Relph also observes, while the UK majors may have dropped out of production, the 'internal pricing structures' which had been a feature of a vertically integrated industry remained. These arrangements had been designed to accelerate returns from exhibition and distribution rather than production. Hence, when the UK majors left production they were able (along with US distributors) to hold on to the most profitable sectors of the film business while pushing the greater financial risks onto the producer and production financier. This is then reflected in the low proportion of revenues returned to producers which make it possible for both exhibitors and distributors to make money out of a film even if the producer makes a loss.

Conclusion

In its discussion of 'how UK producers finance their features', *European Filmfile* described the situation at the beginning of the 1990s:

Since companies such as Rank, Thorn EMI and Handmade stopped producing films directly, no company in the UK has operated on a sufficiently large scale to finance the production of features without outside money. The UK can be described as a nation of small producers each producing few films, with no powerful integrated companies as in most other big European countries. As a result, the role of UK producers is rather different from that of their counterparts in the rest of Europe. Rather than finding one source which can majority-back a project . . . the UK producer is forced to assemble a web of sources, resulting in a more complicated pattern of financing than elsewhere.⁵⁵

⁴⁹ Ibid. 82. With only a 3.9 per cent share of box-office in the same year, Rank was playing a decreasingly significant role in distribution but remained a major force in exhibition.

⁵⁰ *A Review of UK Film Production: For the Prime Ministers Seminar, 15 June 1990* (London, mimeo, 1990), 5.

⁵¹ *European Filmfile*, vol. 2 (Winter 1988–9), 102–4.

⁴⁹ Monopolies and Mergers Commission, *Films: A Report on the Supply of Films for Exhibition in Cinemas*, Cmnd. 8858 (London: HMSO, 1983), 73.

⁵⁰ See Richard Gold, 'Why Film Industry Does Not Like Barring Proposals', *Screen Finance* (7 Sept. 1988). One of the central problems of the Conservative's commitment to a market free of controls and restrictions was that this did not necessarily increase competition but, as with film distribution and exhibition, reduce it. A similar contradiction was evident in the 'free market' policies of the Reagan administration in the US whose lax enforcement of anti-trust legislation allowed the Hollywood majors to move back into exhibition. See Thomas Guback, 'The Evolution of the Motion Picture Theatre Business in the 1980s', *Journal of Communication*, vol. 37, no. 2 (Spring 1987).

⁵¹ The most significant of these exhibitors has been United Cinemas International (UCI), jointly owned by MCA and Paramount, which entered the British market at the end of 1988 and soon became the third largest exhibitor in the UK.

⁵² Monopolies and Mergers Commission, *Films: A Report on the Supply of Films for Exhibition in Cinemas in the UK*, 1994, 10.

While this has led to the importance of pre-sales (and, correspondingly, the role of the sales agent who pre-sells territories on a commission basis), it has also meant that, in the absence of traditional sources of finance, producers have increasingly had to look to government-backed agencies and television for support. Thus, for all of the government's determination that it should 'stand on its own feet', it is apparent that what stability the British film industry enjoyed during the 1980s largely derived from a continuing dependence upon the state—either directly in the form of help from state-funded agencies such as British Screen or indirectly through television, and Channel 4 in particular, for which, through licence and regulation, the government possessed a statutory responsibility. Indeed, so important had the relationship between film and television become by the end of the 1980s that, in 1990, the Policy Studies Institute suggested that 'the only factor which appears to have prevented the wholesale collapse of the British film production industry has been the increasing involvement of UK television companies'.³⁶ It is this role played by television with which the following chapter will now deal.

³⁶ Andrew Feist and Robert Hutchison (eds.), *Cultural Trends*, no. 6 (London: Policy Studies Institute, 1990), 33.

chapter 3

Film and Television A New Relationship

Towards a Fourth Channel

As a result of the economic problems that faced the film industry in the 1980s, it was television that was destined to play an increasingly significant role in the maintenance of British film production. The origins of this relationship between film and television may be traced back to the Annan report on the future of British broadcasting which was published in 1977.¹ The influence of this report, however, was indirect rather than direct. For although the report considered a number of proposals to require television to finance the film industry—including a levy on film transmission, a rise in the cost to television of films shown, use of the levy on excess profits of the Independent Television companies to support filmmaking, and the encouragement of BBC and ITV production funds—it rejected them all on the grounds that the development of a formal relationship between film and television was unlikely to lead to 'the rejuvenation of the British film production industry'.² Despite this pessimism concerning the role that television could play in supporting film production, it was, none the less, the Annan report that paved the way for the relationship between film and television that was to develop during the following decade.

It did so by virtue of its recommendations for a fourth channel. The idea of a fourth television channel had been in circulation since the 1960s but it was not until the 1970s that it really gained momentum.³ With the Annan report, however, its precise character began to take shape. The report was concerned that the new channel should not simply be an extension of the BBC/ITV duopoly and rejected the proposal for an ITV2. Instead it proposed a new fourth channel which would 'encourage productions which say something new in new ways'.⁴

¹ *Report of the Committee on the Future of Broadcasting*, Cmnd. 6753 (London: HMSO, 1977).

² *Ibid.*, 342.

³ A useful overview of the pre-history of Channel 4 is provided by Sylvia Harvey, 'Channel 4 Television: From Annan to Grade', in Stuart Hood (ed.), *Behind the Screens: The Structure of British Television in the Nineties* (London: Lawrence and Wishart, 1994).

⁴ *Report of the Committee on the Future of Broadcasting*, 482.