

CHAPTER 5

Cinema

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A British Cinema Revival?

In some ways, British cinema in the 1990s would appear to be in good shape. Following a drop to an all-time low of 54 million in 1984, cinema admissions have been steadily rising, reaching 137 million in 1997. This growth has been accompanied by the opening of new cinemas and a rising number of cinemas and cinema screens. Thus, since 1987 the pattern of cinema closure has been reversed and, between 1987 and 1997, the number of UK cinemas rose from 677 to 747 and actual screens from 1277 to 2383 (*Screen Finance*, 1998a) (see Table 5.1). This may be linked to the rapid growth of multiplexes (purpose-built cinemas with multiple screens commonly located on greenfield sites) following the opening of the first UK multiplex in Milton Keynes in late 1985. By 1997, the number of multiplexes had risen to 142 and accounted for over half of all UK cinema screens and an even higher proportion of all cinema visits.

Table 5.1 UK sites and screens
1984–96

Year	Total Sites	Total Screens
1984	660	1271
1987	677	1277
1990	737	1685
1991	724	1789
1992	735	1845
1993	723	1890
1994	734	1969
1995	743	2019
1996	742	2166
1997	747	2383

Source: Screen Finance/BFI.

Cinema

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At the same time, there seems to have been a certain revival of British film-making. During the 1980s British film production fell to its lowest levels since 1914. However, since 1989 (when only 30 films were made), film numbers have risen, totalling as many as 128 in 1996 (the highest figure since the 1950s, see Table 5.2). The 1990s have also witnessed a number of outstanding commercial successes for British films. In 1994, *Four Weddings and a Funeral* was the most popular film in Britain, taking over £27 million at the UK box office and a further \$52 million in the US. In 1996, *Trainspotting* took over £12 million at the UK box office (and a further \$16 million in the US) while, in 1997, *The Full Monty* became the biggest grossing film ever in the UK, earning over £40 million at home and \$133 million worldwide. However, while these figures are striking, what they nonetheless disguise are the continuing weaknesses of British film production more generally.

Table 5.2 Number of UK films produced
1989–96

1989	30
1990	60
1991	59
1992	47
1993	67
1994	84
1995	78
1996	128
1997	112

Source: Screen Digest/BFI.

Although there has been an upsurge of cinema-going in recent years, to which the popularity of films such as *The Full Monty* has contributed, British audiences are in the main going to see American rather than British films. This is reflected in the high numbers of Hollywood films on British screens and the relatively low levels of market share taken by British films at the UK box office. During the 1990s, US films have generally accounted for over 80 per cent, and often over 90 per cent, of UK revenues while British films have struggled to top 10 per cent. In 1997, the market share of British films did rise as high as 23 per cent but this figure was largely the result of the performance of just two films, the UK co-production *Bean* and *The Full Monty*. Although these films did extraordinarily well, the Top 50 most popular films at the UK box office were still overwhelmingly Hollywood productions (*Men In Black*, *The Lost World: Jurassic Park*, *101 Dalmatians*, *Batman and Robin*, *Liar Liar*, *Jerry Maguire*, *Scream*, *Con Air* and so on).

What this also indicates is that, despite the growing number of British films being made, the vast bulk of British films do relatively poorly at the box office. Indeed, many of the films made in Britain in the 1990s have not been seen in cinemas at all. Over 30 per cent of British films made since 1991, and over 50 per cent of films made in 1995 and 1996, have not been released. Moreover, of those films that were released in 1995 and 1996, only about a quarter secured general UK exhibition (*Screen Finance*, 1998b). The perception of the increasing strength of the British film industry in the 1990s, in this respect, has tended to derive from the exceptional popularity of a small number of films rather than from the genuinely widespread success of British productions.

Moreover, while the economic performance of the most successful British films has been outstanding by British standards, they are still relatively modest by the standards of Hollywood. So, while *The Full Monty* may have beaten both *Men In Black* and *The Lost World* at the UK box office, each of these films earned around four times the gross of *The Full Monty* worldwide. Similarly, while *Four Weddings and a Funeral* outperformed *The Lion King* in the UK it still only earned around one-sixth of the Disney film in the US. As for *Trainspotting*, its US earnings (high for a British film) were still insufficient to win it a place in the US Top 100 for 1996. Indeed, the only 'British' film to appear in the US Top 100 for that year was the Hollywood-backed *Sense and Sensibility*.

The purpose of these points is not in any way to belittle the achievements of films such as *Trainspotting* and *The Full Monty* but rather to place them in context. The accomplishments of these films do not, on their own, add up to a revival of British film-making nor do they seriously challenge the global dominance of Hollywood cinema. Indeed, one of the ironies of *The Full Monty*'s success is that the film was actually financed by the subsidiary of a Hollywood major, Fox Searchlight (established in 1994 as part of a strategy to target niche markets), and undoubtedly benefited from the distribution and marketing advantages that association with a Hollywood major brought. In this respect, despite the resurgence of cinema-going in Britain and the successes of a few films, British film production in the 1990s is still overshadowed by Hollywood, an industry whose films have dominated British screens since the end of the First World War. In order to understand why British film-making is in the situation that it is, it is necessary to begin by examining the reasons for Hollywood's success.

The Power of Hollywood

It is, of course, worth remembering that film-making is a particularly high-risk business. Each film is to some extent a 'prototype' and it is difficult to predict accurately which films will do well and which will not. As a result, while the profits from film-making can be great, many films – including some which seem to be reliable 'commercial' prospects – may perform badly (as the

notorious example of *Hero* will testify). Losses on some films are that, purely in terms of money, only 2 out of 10 films are therefore, has a production in a year is profitable. The

The first factor in the domination of the British market by Disney/Buena Vista and Columbia/TriStar are in a position to be characteristically in a position to generate from their films the others. In the 'mass' of production, many 'commercial' films

The Hollywood industry to minimize the risk of films that have proved to be failures (who can now be assumed box-office failures) 'remaking' of films for use of spectacle. Hollywood films in any other country office in the 1990s, a 'buster', or 'event' film. Thus, in 1995, *Speed* (marketing) was an enormous corresponding highest profile and substantial profit. *In Black*, *The Matrix*, *Speed 2: Cruise*

However, if you look at the number of films in the industries (the British only £1.6 million) and the production strategy of studios (and the majors derive from studios may c

notorious example of the Arnold Schwarzenegger vehicle *The Last Action Hero* will testify). Indeed, the Hollywood studios routinely expect to carry losses on some of the films they make and it is still a rough rule of thumb that, purely within theatrical markets (that is, from showings in cinemas), only 2 out of 10 films turn a profit. The continuing success of Hollywood, therefore, has depended upon its ability to spread the financial risks of production in such a way as to make film-making, more or less, consistently profitable. There are a number of ways in which this has been accomplished.

The first factor relates to scale of production. US film production is dominated by the Hollywood studios or 'majors': Warner Bros, Disney/Buena Vista, Paramount, MCA/Universal, Twentieth Century Fox, Columbia/TriStar and MGM/UA (the weakest of the group). These studios are in a position to finance production from their own resources and characteristically invest in a slate of productions of around 10–20 films per annum. In doing so, it is generally expected that the revenues that they generate from the most successful films will outweigh the losses made on the others. In this respect, Hollywood production relies upon a 'critical mass' of production that allows it to ride the failures that inevitably accompany 'commercial' film-making.

The Hollywood studios also make films of a particular type. They attempt to minimize the 'uncertainty' of film production by recombining elements that have proved successful in the past. This involves the use of big-name stars (who can now command extraordinarily high salaries on the basis of their assumed box-office appeal), proven talent (such as writers and directors), the 'remaking' of earlier successes in the form of sequels or generic types and the use of spectacular 'state-of-the-art' special effects. These features also make Hollywood films very costly and certainly far more expensive than those of any other country. Indeed, Hollywood's domination of the international box office in the 1980s and 90s is clearly associated with the rise of the blockbuster, or 'event' movie, and the growing film costs that are associated with it. Thus, in 1980, the average cost of a studio film (including domestic advertising) was an estimated \$13.7 million (*Screen Finance*, 1994). By 1996 the corresponding figure had risen to \$59.7 million, with many of the studios' highest profile, or 'tentpole', movies costing considerably more. Thus, a substantial proportion of the big studio films released in 1997, such as *Men In Black*, *The Lost World: Jurassic Park*, *Batman and Robin*, *Dante's Peak*, and *Speed 2: Cruise Control*, cost well over \$100 million (*Screen Finance*, 1997).

However, if Hollywood relies upon a scale of production (in terms of both the number and cost of films made) that is beyond the means of other film industries (the average cost of 'wholly' British films in 1996, for example, was only £1.6 million), Hollywood's global dominance does not rest on production strategy alone. For while it is common to think of Hollywood in terms of studios (and hence production), the economic might of the Hollywood majors derives, above all, from their integration of production (which the studios may only finance) with distribution (that is, the renting of films to

cinemas). The 'studios', in this sense, are as much film distributors as they are film producers and it is their commanding position within distribution, in both the US and elsewhere, that is the primary source of their economic might. As the major distributors of film in the US, for example, they are able to limit the access of independent and non-US distributors to the US market and, thus, command a disproportionately high box-office share in proportion to the number of films released. The size of the US home market (one of the biggest in the world and the most important for the majority of Hollywood films) also ensures that a sizeable proportion (if not all) of production costs are recouped in the US and, therefore, that films can be sold competitively (and with reduced distribution costs) overseas.

The huge sums that the majors spend on promotion is worth noting in this regard. A key part of the studios' strategy in the US in recent years has been to back up their biggest films with a widespread release (often on over 2000 screens) and saturation marketing. A particular premium is placed on 'opening big' on a film's first weekend and this makes the role of advertising (particularly on the television networks) especially important in generating admissions. This is then reflected in the very high sums – nearly half of average negative (that is, production) cost – that are spent by the Hollywood majors on advertising and the production of prints. This scale of release and promotion of studio films in the US not only makes it very difficult for non-studio and foreign films to compete successfully in the US market but also creates a 'buzz' around a film that can then be exploited in international markets. Indeed, the gap between the US opening of a film and release elsewhere has been narrowing in order to facilitate the exploitation of a film's release as something of a global 'event'. Thus, within less than three months of its US opening in 1997, *Men in Black* was in box-office top tens across Europe as well as in Australia, Brazil, and Hong Kong (*Screen International*, 1997b). This is a measure not only of the effectiveness of Hollywood's international distribution network but also its success in promoting films on a global scale.

However, the strength of Hollywood in distribution is not solely dependent upon access to cinema screens. What is also apparent is the commanding position that Hollywood occupies within non-theatrical markets as well. Indeed, the great achievement of the Hollywood studios in recent years has been their ability to overcome the financial difficulties that they faced in the late 1960s and early 1970s by taking advantage of the opportunities provided by video, pay-TV and satellite. This can be seen in the changing patterns of revenue streams. In 1980, the returns from theatrical release (both domestic and foreign) accounted for over 75 per cent of US studio revenues. Ten years later this had fallen to 32 per cent (*Screen Finance*, 1993). In the same period, revenues from pay-TV grew from 4.8 per cent to 9 per cent while revenues from video rose dramatically from just 1 per cent to 45 per cent, and then to over 50 per cent by 1996 (*Screen Finance*, 1997). In this respect, Hollywood's pre-eminence in theatrical

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The growth of another aspect of the mid-1980s, transnational now owns Time company Video rental stores Canadian drive while Time a biggest media investments across a recorded music a part (albeit business strategy not simply to and consumer magazines, a whole range accompanying lucrative licensing of popcorn and trays! Indeed greater source another example risks and uncertainty film production sification of dominant position also made it tively (as the suggests) or commercially

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markets is now matched by a similar dominance of the (rental and sell-through) video market for film.

The growth in the importance of video and pay-TV markets also reflects another aspect of the changing character of Hollywood. Particularly since the mid-1980s, there has been a growing incorporation of the studios into large transnational media conglomerates. Rupert Murdoch's News Corporation now owns Twentieth Century Fox; Sony owns Columbia Pictures; the cable company Viacom (with interests not only in pay-TV but publishing, video rental stores and theme parks) has bought Paramount; Seagram, the Canadian drinks and entertainment group, are owners of MCA/Universal; while Time and Warner Bros have merged to create Time Warner (the world's biggest media corporation). In all cases, these large conglomerates have interests across a range of media, such as television, cable, computer games, recorded music, publishing and theme parks, and their film activities are only a part (albeit an important one) of general entertainment and information business strategies. The value of film to these companies, in this respect, is not simply the revenues that they provide but the platform to other media and consumer markets that they offer. This involves tie-ins such as books, magazines, computer games, toys and soundtracks as well as the licensing of a whole range of consumer products. The huge merchandising campaign accompanying the release of *Jurassic Park*, for example, not only involved lucrative licensing deals with McDonalds and Choice Hotels but also the licensing of an enormous variety of trademarked products, ranging from popcorn and chocolate eggs to boys' briefs, bed headboards and metal TV trays! Indeed, tie-ins and licensing now provide the majors with an even greater source of income than actual film and video rentals and provides yet another example of the ways in which the studios are able to manage the high risks and uncertainties of big-budget film-making and to make a profit from film production. Moreover, as a result of these ownership changes and diversification of interests, the Hollywood majors have strengthened their dominant position within the international film industry. In doing so, they have also made it more difficult than ever for other companies to compete effectively (as the experience of the aspiring major Orion, which went bankrupt, suggests) or for countries outside of the US to sustain film industries that are commercially viable.

The Weaknesses of British Cinema

This may be seen in the case of the UK where the film industry has had to confront some of its greatest difficulties since the 1920s. Historically, the British cinema has adopted two main industrial strategies, either trying to compete directly with Hollywood in the international market or relying primarily on the domestic market for its commercial viability. While the first of these two strategies has always been fraught with difficulties, the second

has also proved problematic in recent years. The first strategy has involved the attempt to secure success in the US market by emulating the model (and costs) of Hollywood film-making. This has been attempted at various junctures in the history of British cinema: by Alexander Korda in the 1930s, by Rank in the 1940s, by EMI in the 1970s and then Goldcrest in the 1980s. However, in the absence of those factors (large-scale production, large domestic market, an international distribution and exhibition network) that have provided Hollywood with its competitive advantage, such strategies have always ended in financial disaster. This is illustrated by the collapse of Goldcrest following the failure of three big-budget projects – *Absolute Beginners*, *The Mission* and *Revolution* – aimed at the international market. In this case, the very high financial risks of film production were spread across too few productions, there was no control over distribution in the US market and the company was insufficiently capitalized to be in a position to sustain a run of losses (Eberts and Ilott, 1990). Other companies, such as Hand-made and Palace, also aimed for the US market in the 1980s and early 1990s with a different style of cheaper ‘independent’ production. However, even this kind of policy proved unsustainable in the long run (Hill, 1999). For while ‘cracking the US market’ has been the holy grail of successive generations of British film-makers, the US has remained a market dominated by Hollywood films and US distribution interests. As a result, the UK share of the US market during the 1990s has barely risen above one or two per cent.

Given these difficulties of competing with Hollywood in the US market, it has been the second strategy – of competition in the domestic market – that has traditionally characterized British film-making and that underpinned British film-making in its heyday in the 1930s and 40s. The basis of this cinema, however, was a size of audience sufficient to sustain the profitability of domestic film-making. As cinema audiences began to decline, especially from the 1950s onwards, the commercial viability of this kind of cinema began to be threatened. As a result, regular British film production (characteristically popular genre film-making) aimed at the domestic market came to a virtual halt after the 1970s when Hammer horror, the *Carry Ons* and the *Confession* films all ceased production. Audiences have, of course, increased since then but cinema admissions in the 1980s and 90s are still relatively small by the standards of previous decades (see Table 5.3). Thus, the 1997 figure of 137 million is only around one-tenth of the admissions figures that were typical of the 1940s. So although, in comparison to the US, the British home market has always been relatively small, it was still large enough, up until the 1970s, for British films to make money. Since then it has become much more difficult for them to do so.

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Table 5.3 UK cinema admissions (millions)
1946–96

1946	1,635.00
1950	1,395.80
1960	500.80
1970	193.00
1980	101.00
1984	54.00
1990	97.37
1991	100.29
1992	103.64
1993	114.36
1994	123.53
1995	114.56
1996	123.80
1997	137.00

Source: Screen Digest/BFI.

So, while hits, such as *The Full Monty*, have demonstrated that it is still possible for British films to recoup their costs in the UK market the vast bulk of recent British movies have failed to do so. For example, *Backbeat* (the most popular ‘wholly’ British film after *Four Weddings and a Funeral* in 1994) only succeeded in earning £1,870,000 of its £2,900,000 production cost at UK cinemas. Moreover, given that only a small proportion (possibly as low as 10–20 per cent) of box-office revenues actually returns to a film’s producer (rather than to the exhibitor and distributor), even those films that did ‘cover’ their costs at the cinema were not necessarily guaranteed a profit. For example, *Brassed Off* (the second most successful British film of 1996), which cost £2,530,000 to make, would still have failed to turn a profit on the basis of its UK revenues of £2,873,429. Inevitably, this has made British films more dependent upon overseas revenues but, as has been seen, the biggest overseas market – the US – has generally failed to offer a reliable source of income for British films.

The decline in size of the UK market, and corresponding weakness of British production, is also related to another significant difference between Hollywood and the British film industry. As has been argued, a key to Hollywood’s success has been its integration of distribution and production. In the case of Britain, however, there has been an almost complete divorce within the industry between the different sectors. During the 1940s and 50s, Britain did have its equivalent of the Hollywood studio system whereby two British companies, Rank and ABPC, produced films in their own studios for distrib-

ution to their own cinemas. As cinema audiences began to decline, however, the economic basis of this system was undermined and the two British 'majors' not only ended their production programmes but withdrew from investment in production as well. The net result of this was that, from the mid-1980s onwards, the exhibition and distribution sector (responsible for the screening and supply of films) in Britain had virtually no direct ties with the British production sector and, as a consequence, no particular interest in showing British as opposed to Hollywood films.

This problem for British film-makers was reinforced by the growing strength of US exhibitors (that is, cinema owners) and distributors in the UK. It was US exhibitors who were primarily responsible for the opening of multiplexes in the UK and their share of the UK market grew accordingly (see Table 5.4). As a result, three of the five largest exhibitors in the UK are effectively US subsidiaries: UCI (with 254 screens and around 18 per cent of UK box office in 1996) is owned by Paramount and MCA; National Amusements (143 screens) is owned by Viacom (the owner of Paramount); and Warner Village (143 screens) is owned jointly by Warner Bros and the Australian company Village Roadshow (*Screen International*, 1997a). Moreover, the large cinema chains that are not US subsidiaries have established relations, or alignments, with US distributors and are supplied with films by them on a systematic basis. Thus, the Odeon chain (with 351 screens in 1996) is aligned with Twentieth Century Fox, Columbia and Buena Vista (a subsidiary of Disney) while Virgin Cinemas (with 172 screens) and ABC Cinemas (234 screens) are aligned with United International Pictures (UIP) and Warners. As this would suggest, the all-important distribution sector in the UK is even more dominated by US interests than exhibition. Thus, the five largest distributors in Britain (commanding over 80 per cent of box-office share in 1996 and 1997) are also subsidiaries of the Hollywood majors, that is, UIP (which is jointly owned by MCA/Universal, MGM and Paramount), Warner Distributors, Columbia, Buena Vista and Fox.

Table 5.4 US majors' share of UK distribution

Distributor	Percentage market share		
	1995	1996	1997
Fox	8.5	12.6	20.5
Buena Vista	21.0	20.0	19.9
UIP	23.5	27.5	15.7
Columbia	6.8	9.0	14.8
Warner	20.5	10.9	9.7
Total US majors' share	80.3	80.0	80.6

Source: Screen International.

Inevitably, by US interest to the difficulty securing a cinema not distributed by Hollywood conglomerates global distribution advantages shown in cinema US where the Indeed, one UK box office opened two argue, because US distributors towards US film to achieve equivalent British film release, only *Finance*, 199

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It is, of course, the case, certainly in relation to Hollywood, that theatrical (or cinema) earnings are no longer as important as those from video. And, in the UK, the video market has grown to such an extent that spending on film on video (both rental and retail) in recent years has been three to four times the spending on cinema-going (Selwood, 1996). However, theatrical release of a film remains of crucial importance in establishing a film's value for other markets and the performance of a film on video (especially in the rental market) is heavily influenced (although not completely determined) by its performance in the cinemas. As a result, the video market for film in the UK is dominated by Hollywood titles in much the same way as British screens.

This is also reflected in the dominance of video distribution by the subsidiaries of the Hollywood majors – Warner/MGM, CIC (owned by Universal and Paramount), Buena Vista, Fox Guild and Columbia TriStar – which, in 1995, accounted for nearly 80 per cent of all UK video rentals. Thus, while the Hollywood studios have been able to compensate for the drop in audiences at cinemas by generating revenues from video (and pay-TV), the returns to the British film industry from video have been much less substantial. For example, the most successful ‘wholly’ British film of 1992, *Peter’s Friends* actually earned less on video than it did at the cinemas and the film’s combined revenues from UK theatrical box office and video still barely covered the film’s costs (Ilott, 1996).

British Film Production

The other main consequence of this separation between the distribution/exhibition sector and production is the pattern of financing film production which it has encouraged. As was previously indicated, the Hollywood system is an integrated one in which the studios finance a slate of films which they then distribute. In the UK, since the demise of the British studio system, there has been no equivalent source of regular finance from the distribution sector. As a result, British film production is primarily carried out on an irregular or one-off basis by relatively small independent production companies. Thus, during the 1980s, no less than 342 production companies were involved in film production and, of these, 250 were involved in only one film (Lewis, 1990). The absence of vertically integrated companies has also meant that British producers have generally had to put together financing from a variety of sources. Typically, these have included a reliance upon a mix of pre-sales (whereby distribution rights to particular territories are pre-sold, usually through a sales agent), funding by government-backed agencies (such as British Screen, the Arts Councils and Scottish Screen) and by television (especially Channel 4 but also the BBC and ITV companies).

The exception to this model in recent years has been Polygram Filmed Entertainment which owns a number of production companies (such as Working Title) and was the biggest investor in British film in 1997. Polygram, which was itself – until recently – owned by the Dutch electronics giant Philips, moved into film in the late 1980s and early 1990s on the back of its success in the music and video business. Although involved in US and European projects as well, Polygram played a significant role in British film-making of the 1990s through their financing or distribution of high-profile successes such as *Shallow Grave*, *Trainspotting*, *Four Weddings and a Funeral* and *Bean*. A part of the company's success, in this respect, derived from its development of an international distribution network and adoption of a Hollywood-style attitude to promotion. Thus, while *Trainspotting* cost only £1,760,000 to make, Polygram spent a further £850,000 on UK advertising as well as taking advantage of profitable tie-ins such as the accompanying CD soundtrack (Finney, 1996). The company also benefited from the shelter of a large multinational conglomerate which helped it to ride the inevitable losses that the film division initially sustained (Dale, 1997). Nevertheless, the returns from Polygram Filmed Entertainment still proved a disappointment to Philips which announced, in 1998, the sale of its share of the company (75 per cent) to Seagram (the owner of Universal). Thus, what began as an ambitious attempt to become a 'European major' in competition with Hollywood has ended with a Hollywood takeover and an uncertain future for the company's production and distribution operations.

The most sustained contribution to British film-making since the 1980s, however, has undoubtedly been television and Channel 4 in particular.

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cially Polygram Filmed Entertainment companies (such as the BBC) in 1997. Polygram, an electronics giant, has been on the back of its success in US and European markets. British film-making has had high-profile successes such as *Funeral* and *Bean*. A result of its development has been a Hollywood-style production of only £1,760,000 to £2,000,000 as well as taking in a CD soundtrack and a number of a large multi-media losses that the production, the returns from the production to Philips (75 per cent) and as an ambitious production which Hollywood has not been for the company's

since the 1980s, Channel 4 in particular.

Channel 4 was launched as the fourth UK television channel on 2 November 1982 and, borrowing from the example of German and Italian television, supported the production of feature films by offering either full funding, equity investment or the pre-purchase of television rights. According to the channel's own calculations, it invested £91 million in 264 different films between 1982 and 1992 and the films that it has supported include many of the key British films of the 1980s and 90s such as *My Beautiful Laundrette*, *Letter to Brezhnev*, *A Room with a View*, *The Passion of Remembrance*, *Riff-Raff*, *The Crying Game*, *Four Weddings and a Funeral*, *Shallow Grave* and *Trainspotting*. The prestige that attached to Channel 4 because of its film-making policy also encouraged other television companies to follow suit and the BBC, as well as a number of ITV companies, have had an up and down involvement with film production since the mid-1980s. However, while Channel 4 has been party to a number of major box-office successes, it is also worth noting that, in strict commercial terms, most of the channel's films have made a loss. Channel 4, in this respect, has been able to carry the 'losses' of film production precisely because its primary source of income is from advertising rather than film revenues (Hill, 1996). In this respect, the alliance between film and television that has developed in the UK has provided a particular kind of (partly culturally driven) 'solution' to the problems that British film-making has encountered in the face of Hollywood's global dominance.

For similar reasons, British film-making has also depended on what forms of state support have been available. During the 1980s, the Conservative government, under Margaret Thatcher, sought to subject the film industry to what it believed would be the bracing winds of the free market. It therefore abolished the quota (whereby British cinemas were required to show a certain proportion of British films), ended the Eady levy (whereby a small percentage of exhibitors' earnings was returned to film producers) and abolished the tax incentives which had helped to fuel the would-be 'renaissance' of British film-making in the early 1980s. Rather than invigorating the industry, however, these measures simply reinforced the market weakness of the British film industry which came to rely even more heavily on what government assistance remained (Hill, 1993). Thus, after Channel 4, one of the most important sources of finance for British film has been the government-funded British Screen which has invested in over 120 films (including *The Crying Game*, *Orlando*, *Naked*, *Land and Freedom* and *Butterfly Kiss*) since 1986 (when it replaced the National Film Finance Corporation).

However, the most significant new source of finance, which has partly been responsible for the increasing number of British productions, has been money from the National Lottery administered by the Arts Councils of England, Wales, Scotland and Northern Ireland. Following the announcement of lottery funding for film in 1995, the four Arts Councils had made awards of around £50 million to over 160 films (including features, shorts and documentaries) by the beginning of 1998. As part of a strategy for encouraging

the emergence of 'mini-studios', the Arts Council of England also awarded, in 1997, franchises to three film industry consortia – The Film Consortium, Pathé Pictures and DNA Films. And, following the growing evidence of problems of distribution for British films (including those supported by Lottery money), the English Arts Council has also indicated its intentions to support film distribution. Assistance for the distribution of British films via an All-Industry Fund was also a key recommendation of the Film Policy Review Group, set up by the new Labour government in 1997 (Film Policy Review Group, 1998).

Conclusion

The failure of the bulk of new British films to secure a cinema release does, of course, raise the question whether this is simply a matter of distribution or one of fundamental strategy. Critics of the British film industry have argued that its problems are due to an excessive dependence upon television and government support which has led to the production of too many low-budget films that fail to compete in the market place. The argument of this chapter, however, is that British film-making has developed in this way precisely because of the enormous competitive advantages which Hollywood enjoys by virtue of its dominant position within the international film industry. A big-budget Hollywood-style cinema is simply not feasible for the British film industry (although, as many British directors, actors and writers have demonstrated, successful participation in the making of Hollywood films is).

As a result, the British cinema has had to develop ways of 'living with Hollywood' which avoid direct competition with it. This has involved a strategy of differentiation whereby British film-makers have sought to make films that are different from the Hollywood norm and offer audiences distinctive kinds of film experience. This is clearly the case with both *Trainspotting* and *The Full Monty* which have found an audience despite (and, perhaps, because of) dispensing with many of the normal Hollywood ingredients of action-driven narratives, special effects and stars. Other low-budget British films have, of course, fared much less well and, in many cases, there may be good reasons for this. Nevertheless, the structure of the international film industry is heavily weighted against such films and the challenge for the British film industry must be not only to get films made but also to develop strategies that will foster more diverse forms of distribution and exhibition.

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