

Reply to: Channel4consultation@dcms.gov.uk

About the BFI The BFI is a cultural charity, a National Lottery distributor, and the UK's lead organisation for film and the moving image.

Our mission is:

- To support creativity and actively seek out the next generation of UK storytellers
- To grow and care for the BFI National Archive, the world's largest film and television archive
- To offer the widest range of UK and international moving image culture through our programmes and festivals - delivered online and in venue
- To use our knowledge to educate and deepen public appreciation and understanding of film and the moving image
- To work with Government and industry to ensure the continued growth of the UK's screen industries

Founded in 1933, the BFI is a registered charity governed by Royal Charter.

The BFI Board of Governors is chaired by Tim Richards.

About this submission / summary

The following document responds to the call for views by the DCMS on a potential change of ownership of Channel 4 Television Corporation.

We make this response in the BFI's capacity as lead body for film and the moving image in the UK. The BFI is happy to provide further information on any of the issues raised as required.

Are you responding:

as an individual (viewer)

on behalf of a business

✓other (please specify)

The BFI is making this response in its capacity as lead body for film and the moving image in the UK.

Topline questions

1. Do you agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership? Please provide supporting evidence.

Yes

No

Not sure

As the BFI is an Arm's Length Body (ALB) of Government, and therefore a publicly funded organisation in its own right, we do not believe that it is appropriate to comment on the ownership structure of Channel 4.

2. Would Channel 4, with a continued public service broadcasting licence and remit, be better placed to deliver sustainably against the government's aims for public service broadcasting if it was outside public ownership? Please provide supporting evidence.

Yes

No

Not Sure

See response to Q.1.

3. Should Channel 4 continue its contribution to levelling up the regions and nations of the UK through retaining a presence outside London and a strengthened regional production remit? Please provide supporting evidence.

Yes – ✓ Channel 4's investment in programming outside London has played a role in helping to build the audiovisual sector and activity across the regions and nations of the UK. Nonetheless, if the Government's levelling up ambitions are to be achieved, Channel 4 should be encouraged to increase its production investment outside of London and the South East, across all four nations of the UK, including for film.

No

Not sure

4. Should the government revise Channel 4's remit and obligations to ensure it remains relevant in an evolving broadcast market? If yes, what changes should be made (which could include new freedoms or changes to its obligations)? Please provide supporting evidence.

Yes

No ✓ The BFI believes that Channel 4's remit and obligations of film and independent production remain relevant and fit for purpose. Regardless of ownership, Channel 4's remit "*To champion unheard voices, to innovate and take bold creative risks, to inspire change in the way we lead our lives and to stand up for diversity across the UK*" is important to the development of the broader UK economy, especially its creative economy, and to UK society as a tolerant and diverse democracy.

Not sure

5. Should the government remove the publisher-broadcaster restriction to increase Channel 4's ability to diversify its commercial revenue streams? Please provide supporting evidence.

Yes

No ✓

As stated in answer to question 6 (c) below, the BFI believes that the publisher-broadcaster model serves the UK's audiovisual sector and the wider creative economy well.

The terms of trade which were introduced by the 2003 Communications Act, which enabled independent television companies to retain and to license rights, brought about a transformation of the independent television production sector in the UK and consolidated the further and rapid development of a highly creative and entrepreneurial sector.

According to an Oliver and Ohlbaum [study](#) for PACT published in October 2020, independent TV production sector revenues reached a new record of £3.3 billion in 2019 - driven by international revenues breaking £1 billion for the first time – an increase of 11% on 2018, and 30% over the past five years.

A separate report by Oliver and Ohlbaum, published in September 2021, calculates that Channel 4 itself provided an estimated £940 million of value to the independent production sector in 2019 – through commissions, secondary sales of Channel 4 programmes, and through its contribution to the 'creative economy'.

Not sure

Other questions

6. With reference to supporting evidence, what would the economic, social and cultural costs and benefits of Channel 4 moving out of public ownership be on:

In this response, the BFI comments specifically on points b. c. d. f. and h. below

- a. overall audience experience?
- b. the Channel 4 Television Corporation itself?

Due to obligations set out in statute, including within the Communications Act of 2003 and Broadcasting Act of 1990, Public Service Broadcasters (excluding the BBC which has its own archival requirements) must make their UK content available for acquisition by the Archive, with the Archive selecting the most culturally relevant content for collection. The Public Service Broadcasters must also make a proportionate financial support for securing and maintaining this content. Ofcom are responsible for overseeing this system.

The Archive looks after one of the largest and most important collections of film and television in the world. Its teams of experts ensure that the collection is preserved and developed for future generations and made widely accessible to today's audiences.

It is essential that Channel 4's statutory financial contribution to the BFI National Archive is maintained (regardless of ownership of the C4 Corporation), so that the public, both now and in the future, can continue to enjoy access to the UK's immense wealth of film and television programming which is stored within it.

- c. investment in the independent production sector?

Channel 4's investment in independent production, under public ownership, for both television and film has been one of the drivers of the success of the UK's audiovisual and broader creative industries sector for the last four decades.

This investment has contributed to a creative industries sector that has been growing at 5 times the rate of the overall economy according to Government [figures](#) published in 2020. These figures show that “the UK’s creative industries contributed £111.7 billion to the UK in 2018, equivalent to £306 million every day. This is up 7.4 per cent on the previous year, meaning growth in the sector is more than five times larger than growth across the UK economy as a whole, which increased by 1.4 per cent.”

The investment by Channel 4 in programming such as *This is England*, *Queer as Folk*, *Peep Show*, *Skins*, *Inbetweeners*, *Gogglebox*, *Meet the Superhumans* and *The Undateables*, *It's a Sin*, *Chewing Gum* and *We Are Lady Parts* reflects the diversity of the UK and its audiences. It also enables the cross-pollination of talent which has benefitted, for example, Film4, and the broader TV and film sectors and the UK’s creative economy as a whole.

The investment in original programming, including films, commissioned by Channel 4 also reflects British culture in a way that is generally not matched by streaming services that invest in British programming. Enders Analysis conducted a study which concluded that British-produced programmes commissioned by the streamers have comparatively fewer British touchpoints than similar shows commissioned by local broadcasters.

For example, Enders noted that Channel 4’s *Peep Show* “had over 30 British touchpoints for each hour of content”. By comparison, a show such as Netflix’s *Sex Education* “has generally few external cultural references. Of those it has, there are almost as many US cultural touchpoints as British, with UK accents, US-style lockers, letter sweaters and references to 80s US film tropes like “military school” placing the production somewhere in the middle of the Atlantic.”

In this way, TV programmes and films financed by Film4 nourish British culture, enabling different audiences across the UK to see themselves reflected in its output, and also reflect Global Britain to the world, thus enhancing the UK’s soft power.

As noted in the September 2021 Oliver and Ohlbaum report for PACT, “Channel 4 supports more small production companies than any other broadcaster, supporting the Department for International Trade’s goal for high-potential SMEs to export and grow into international markets.” This is especially important in an era when the UK is looking to expand the UK’s trading links to contribute to the growth of Global Britain.

d. Investment in the independent film sector?

In responding to this question, the BFI sets out its view of the importance of Film4 and its wider relationship with the independent film sector in the UK. As with Channel 4’s investment in independent production as a whole (addressed in c. above), the BFI wishes to stress the critical importance of maintaining, and continuing to strengthen, the role of Film4 as a key investor in British independent film should there be a change in the ownership of Channel 4.

In particular, Film4 has a vital and continuing role to play, under any ownership structure, as a catalyst for investment in, and creative support for, new talent and new voices which reflect British culture across the UK in all its diversity to the benefit of audiences.

This is particularly true at a time when raising finance for independent British films is harder than ever, due to a variety of factors which we describe in more detail below.

Importance of Film4

Film4 as one of the foundation stones of the British independent film sector

Since its creation in 1982, Film4 Productions (“Film4”) has been one of the key foundation stones of the British film industry and British film culture. Without Film4, the UK film industry and its

audiences today would be much poorer – over almost forty years, Film4 has taken risks on talents who have gone on to become globally recognised and films which have been enjoyed by audiences in the UK and around the world. It is part of the backbone of financial support for the industry and served a crucial role as a complement to BFI Lottery support and statutory tax reliefs in delivering a consistent stream of British films to audiences across the UK. It is crucial therefore that Channel 4 has duties to support independent film in the UK, regardless of ownership.

From *My Beautiful Laundrette* and *Letter To Brezhnev* to *Trainspotting*, *Four Weddings and a Funeral*, *Slumdog Millionaire* and *The Favourite*, and more recently *The Father*, Film4 has invested commercially and critically successful British films.

Among other examples, Film 4's commercial successes have included:

- *The Crying Game* (1992) – Global Box Office \$62m
- *Four Weddings and a Funeral* (1994) – Global Box Office \$245m
- *Slumdog Millionaire* (2008) – Global Box Office \$378m
- *In Betweeners* (2011) – Global Box Office \$88m
- *T2 Trainspotting* (2017) grossed £17m at the UK box office and c.£32m internationally

Subsequently, Film4 has developed and co-financed some of the most successful and culturally influential British films of recent years, including:

- Shane Meadows', *This is England* - 2007
- Chris Morris's, *Four Lions* - 2010
- Phyllida Lloyd's, *The Iron Lady* - 2012
- Steve McQueen's, *12 Years a Slave* - 2014
- Jonathan Glazer's, *Under the Skin* - 2014
- Andrew Haigh's, *45 Years* - 2015
- Asif Kapadia's, *Amy* - 2015
- Lenny Abrahamson's *Room* -2015
- Alex Garland's, *Ex Machina* - 2015
- Andrea Arnold's, *American Honey* - 2016
- Rungano Nyoni's, *I Am Not a Witch* - 2017
- Pawel Pawlikowski's, *Cold War* - 2018
- Martin McDonagh's, *Three Billboards Outside Ebbing, Missouri* - 2018
- Lynne Ramsay's, *You Were Never Really Here* - 2018
- Sarah Gavron's, *Rocks* - 2020
- Armando Iannucci's, *The Personal History of David Copperfield* - 2020.

Film4 films have collectively won 37 Academy Awards, (21 in the last 13 years), and 84 BAFTAs, as well as many more international awards.

Background to Film4's creation and evolution

For almost four decades, since the launch of Channel 4, film has been in the DNA of the channel. From its inception when the broadcaster was launched by Margaret Thatcher's Government in November 1982, Channel 4 Films, as it was then known, has been one of the core elements of the channel. At the time, public support for British film was increasingly fragile - as a consequence of falling cinema admissions, proceeds from the Eady Levy (a charge on cinema tickets) which were designed to be reinvested in British films via the National Film Finance Corporation (NFFC) were in systemic decline.

Channel 4 Films began with the objective of commissioning 15-20 films each year, some of which were to be released at the cinema prior to transmission on Channel 4 itself via its "Film on Four"

strand. The Channel's film arm was investing around £500k per film. These films were co-financed and produced in partnership with other companies. There was a particular focus on helping new directors and writers to reach audiences, a focus which has remained constant throughout the Channel's history.

In 1985, Channel 4 itself became one of the key investors in British Screen Finance (BSF), a private company set up by the Conservative Government to invest in films after the abolition of the Eady Levy and the NFFC. The creation of the BSF was an acknowledgement of the need for a variety of forms of public support to deliver a diversity of British films to audiences at home and abroad – something which the market alone would not provide, principally due to the high level of risk relative to potential rewards.

In 1993 John Major's Government agreed to provide Lottery support for film, including film production – a role now delivered by the BFI – in a further recognition of the inability of the market alone to provide the economic benefits and positive externalities (cultural and social benefits) delivered by films intended for the cinema.¹

In the mid-1990s, this role of dispensing Lottery support for film was subsequently taken on by the Arts Councils in the four nations of the UK and Film4 frequently invested alongside these partners.

Role of Film4 in the current landscape

Since 2000 when British Screen Finance was abolished and Lottery support for film was moved from the Arts Council of England, Film4 has been one of three cornerstones of discretionary public funding for British film, alongside the Lottery (via the UK Film Council until 2011 and subsequently through the BFI) and BBC Films.

As well as ensuring diversity of taste, the presence of Film4 acts as a vital complement to Lottery funding because Film4 can commission films, something which is not permitted by Lottery legislation. With a budget of £25m p.a., as well as being a crucial funder of British film, Film4's role as an active and highly experienced commissioner of British films, with creative and editorial input, is also [highly valued](#) by the independent British film sector.

The BFI and Film4 have jointly invested in 59 films since Lottery funding was transferred to the BFI in 2011. The BFI has invested almost £42m of Lottery money in these films. The BFI currently has 7 projects in development with Film4 and is investing in a further 3 projects which have previously received development funding from Film4.

The overwhelming majority of commercially successful British independent films are supported by at least one, and often two, members of this triumvirate of key public funders – Film4, BFI and BBC Film. However, because rights to show films on television are acquired on an exclusive basis, the two broadcasters cannot work with other each other – therefore, their key public funding partner is the BFI.

Film 4's role extends beyond simply financing films. Crucially, it supports the development of British films.

Development is high risk since only a relatively small proportion of films put into development will eventually make it into production. Development is also a very lengthy process – for example, *The Favourite*, a production supported by Film4, was 10 years in development [according](#) to its producers. Likewise, projects such as *Censor*, *Limbo* and *St Maud* took several years to develop. The vast majority of commercial investors do not have the ability or the appetite to wait and see if investment in development, the R&D of filmmaking, yields returns.

¹ See Annex One for a BFI analysis of market failure which characterises independent British film.

Film4 spends around £3m (12-15% of its annual budget) on its development slate each year. This equates to a slate approximately 120-140 projects deep, comprising a mix of sizes, genres and budgets. This slate feeds the 10-12 feature film co-productions Film4 greenlights annually and is a vital resource for producers to grow and refine their projects before deciding how to finance them for production.

As an example of how Film4 benefits the broader UK independent film ecosystem, some projects from Film4's development slate have recently been greenlit by streamers after Film4 have supported the projects through development to the point where they could attract other investment. *Encounter* (directed by Michael Pearce, produced by Raw for Amazon), *I Came By* (Babak Anvari, Two and Two Pictures for Netflix), and *The Beautiful Game* (Thea Sharrock, Blueprint for Netflix) are all projects incubated on Film4's development slate, recently greenlit by streamers, on which Film4 will retain a creative involvement and support the filmmakers, whilst retaining a UK TV and digital broadcast window.

By contrast with public funders of film, streaming services, while they may invest in production of some British films, do not invest in the development of British films –and without the support of public funders for development, there would be far fewer British films in which streaming services and other commercial financiers could invest. While streaming services have acquired rights to such films as Lynne Ramsay's *You Were Never Really Here*, *Peterloo* and *Dumbarton Road*, it was Film4, together with the BFI, which provided the development finance for these projects which enabled them to be brought to the stage at which they could be financed for production. Such continuing support for development - and production - is particularly important in the context of the challenges that the UK's independent sector faces in raising finance.

Through its longstanding financial and creative support for the development and production of British films, Film4, at the heart of Channel 4, has played a crucial, long-term role in supporting the creativity, culture and industrial base of independent British film. This has delivered much broader benefits for the creative economy as a key engine of growth for the UK – a role that will be increasingly important to help seize global opportunities arising after EU Exit.

The removal of Film4 from the landscape would have a disastrous impact on the overall ecology of support for British film – it would remove funding of £250m from independent British film over the next ten years, undermine diversity of taste and thought among major funders of a key part of British culture and leave only one significant public organisation, the BBC, capable of actually commissioning British films. This would be to the detriment of choice available to cinema and television audiences across the UK, and significantly reduce the availability of British films for audiences across the world.

Given that the BBC's current budget for film support is only £11m p.a. (including overhead), this would amount to a reduction of over 70% in the amount of money available to commission British films from the two major sources of such funding in the present landscape. With the BFI spending approximately £26m per annum to support film development and production, the removal of Film4 funding support would amount to a 41% reduction in the amount of funding for British independent film from these organisations from the current level of £61m.

In just over 5 years since adopting its current business strategy, Film4's investment of just over £100m has generated around £450m of total investment in UK films and filmmakers.

Any removal of cornerstone funding for film from a broadcaster would also severely weaken the ability of filmmakers to raise money for British independent film as compared with their international counterparts, thereby seriously undermining our international competitiveness.

Film4 treats the film tax relief (FTR) as producers' equity where possible a mechanism that has also been put in place by the BFI Film Fund and BBC Film. This helps independent producers to share in

the rewards of success and thereby stimulates further investment in the development and production of British films.

Current pressures on independent film in the UK

In recent years, the business model for UK independent film has come under significantly increased financial pressure amid a broader and rapidly accelerating shift in the ways in which audiences consume films and, thereby, the way in which films are financed. In this context, Film4's support for independent film, along with that of other public funders, has become more crucial than ever before.

Among the factors which appear to have contributed to these pressures on British independent film are:

- Massive shifts in the way that audiences access films as a consequence of the rise of on-demand platforms operating globally and far-reaching changes in the ways theatrical films are financed, marketed and distributed which have accompanied this
- The ability of platforms with extremely deep pockets to attract and retain a wealth of creative and entrepreneurial talent for High-end TV production, which has also pushed up the cost of talent for independent films.
- The impact of the COVID-19 pandemic which has resulted, among other things, in significantly increased production costs for crew and talent to cover such vital safeguards as health and safety measures and insurance
- It is now harder to raise money for film through the Enterprise Investment Scheme (EIS)

In such a challenging landscape, public support for independent film and the industrial and cultural benefits it delivers to the UK and to audiences is more crucial than ever. As described in previous sections, Film4 is an integral part of this landscape and the removal of its support would seriously undermine the independent film sector in the UK.

Helping British film companies to grow

Film4 played an important role in helping to build British film companies as [acknowledged](#) by Tim Bevan, co-chair of Working Title, one of the UK's most successful film and television companies:

"The really important thing is that they [Film4] gave us the framework from which we could build our business. Their mandate was to support independents - and they did support independents by allowing independents to own their rights and then trade in those rights."

Unlike, for example, streaming services, Film4, in the overwhelming majority of cases, only takes broadcast rights (for Channel 4 and its film services) for the films which it finances. This enables UK producers, sales agents and independent distributors to retain rights and thereby helps to build a valuable asset base for British film companies.

Role of Film4 in supporting the development of new talent

Film4 has played a key role in supporting the development of such directors as Danny Boyle, Michael Pearce and Rose Glass, writers such as Jack Thorne, Enda Walsh and Polly Stenham and actors like Michael Fassbender, Sally Hawkins and Andrew Garfield.

Channel 4 has also supported visual artists, such as Sam Taylor Wood (*Nowhere Boy*) and Steve McQueen (*Hunger*) to make their first ventures into feature film. Channel 4 has also provided consistent financial support for the National Film and Television School.

Film4's support thereby enables talent from across the UK and from a huge variety of backgrounds to thrive, rather than the sector being largely confined to those from a much narrower range of backgrounds who can afford to fund their own creative development.

In particular, as Tim Bevan co-chair of Working Title has stated, Film4 helps to develop a distinctive “British cultural voice” – as reflected in the stream of British films supported by Film4 over almost 40 years, reflecting the diversity of British life and British perspectives on the world.

The investments made by Film4 also help to support the success of the broader UK film sector, notably inward investment. Such investment from globally mobile productions is booming - the [combined total spend](#) on film and high-end television (HETV) production in the UK for H1 2021 (Jan-June) was £3.6 billion from 300 productions. This is the highest combined film and HETV reported in the quarterly official statistics release on record. It is more than 4 times higher than £699 million reported for H1 2020.

A [report](#) in 2017 for PACT by Olsberg SPI demonstrated the importance of support by investors in the independent sector, for new British talent for the broader British film sector, including for inward investment. In an analysis of the top 20 films at the worldwide box-office in 2015, they found that 75% of the feature writers, directors or key cast worked on British independent film earlier in their careers. Olsberg SPI observed that “independent film acts as a proving ground for new acting and film-making talent: the very same writers, directors, and actors who sharpen the UK’s competitive edge and help make it so attractive to major international films”.

A 2019 [study](#) by Narval Media for the British Screen Forum found that some “41% of career credits for those who ended up working on a UK-based inward investment production in 2016 were on independent British films.” It was noted that “senior professionals currently working on big budget HETV or inward investment films overwhelmingly confirm that working on independent British films has had positive skills development effects, owing to the greater flexibility over roles leading to more opportunities to hone existing skills and develop new ones, and to take on new responsibilities.”

The investments in film, including film development, and the creative and editorial input provided by public funders such as Film4, BBC Films and the BFI, also help to develop and underpin the quality of filmmaking not just for the cinema, but also for high-end dramas shown on streaming services and broadcast services, to the benefit of audiences at home and around the world.

The Role of Film4 in contributing to diversity and inclusion in British film

Film4 plays an important role in providing opportunities for people from a wide range of backgrounds to develop careers in film. It has adopted the [BFI Diversity Standards](#) for all the films in which it invests.

It has promoted gender equality in British film, notably through its support for work by female directors, including Clio Bernard, Sarah Gavron, Tinge Krishnan and Lynne Ramsay, and more recently Andrea Arnold, Prano Bailey-Bond, Cathy Brady, Coky Giedroyc and Rose Glass.

It played an instrumental role in developing the career of Sir Steve McQueen through its support for his work including *Shame*, *Hunger* and *Widows*. In recent years, it has invested in work by Aml Ameen, Basil Khalila and Tinge Krishnan.

Role of Film4 in promoting the UK globally

Film4 has been involved in many co-productions such as *Mr Turner* (UK/Germany/France/US), *The Favourite* and *The Father* (UK/France). Such co-productions help to promote British culture around the world and will continue to be shown on the small screen for decades to come, thereby helping to promote the UK’s soft power and to boost the profile of Global Britain. More generally, the success around the world of Film4’s productions which are set in the UK around the world also help to encourage film tourism. The long-standing popularity and success of such independent productions internationally, including at the Oscars, makes a crucial contribution to the visibility of the UK and British values in the world – thereby enhancing the UK’s soft power and significantly bolstering the impact of Global Britain. As observed in the September 2021 Oliver and Ohlbaum report for PACT, Channel 4 “provides a platform for up-and-coming actors, writer and directors from across the UK

who go on to achieve international success (e.g. Daniel Kaluuya, Riz Ahmed, Olivia Colman and Sacha Baron Cohen – who were all nominated for acting Oscars in 2021).”

The legislative context

Over the years, Parliament has given Channel 4 important statutory duties with regard to supporting film in the UK.

Channel 4’s statutory role in reflecting British culture through feature film is set out in Clause 264 of the Communications Act 2003 which specifies that the licensed public service broadcasters including Channel 4 can in part, fulfil their public service remit if they ensure that ‘cultural activity in the United Kingdom, and its diversity, are reflected, supported and stimulated by the representation in those services (taken together) of drama, comedy and music, by the inclusion of feature films in those services and by the treatment of other visual and performing arts’.

The Digital Economy Act of 2010 ([Clause 22](#)) states that Channel 4 “must participate in”:

“(b)the making of high quality films intended to be shown to the general public at the cinema in the United Kingdom, and

(c)the broadcasting and distribution of such content and films.”

e. the TV advertising market?

The BFI is not in a position to offer a view on this.

f. investment in the creative industries sector more widely?

See answer to Q.5 and Q.6

g. competition between Channel 4 and other PSB and non-PSB channels?

The BFI is not in a position to offer a view on this

h. the regions and nations of the UK?

See answer to Question 3.

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Annex One - Market Failure in Independent Film

The BFI has previously identified four key positive externalities that the market alone will not take account when making its decision to invest production and development of film.

- Cultural and social benefits- Maintaining UK cultural content in film is seen as an important benefit to UK society as it reflects a common culture, allows groups to communicate within society, improve the quality of public discourse and can change the way people think and act. Film can also act as record of the country's cultural identity. The market will under fund UK cultural film as it cannot internalise (commercialise) these wider cultural benefits. Furthermore, even if it could internalise and charge for these positive externalities, UK independent film (particularly more innovative artistic film) is likely to be seen as a risky investment in terms of potential sales.
- Plurality – An independent UK film sector can provide diversity and plurality of thought
- Soft power- British films showcase UK creativity and talent around the world and can be used to attract inward investment, aid diplomatic missions or encourage tourism. There are many examples of film locations or characters stimulating domestic and overseas demand for UK trips.
- Talent progression - UK independent productions also have important positive externality in terms of acting as a talent pipeline for the studio sector, as described in the previous section.

Bakker (2010) sets out the characteristics of the film industry, which could be regarded as barriers to entry²

- **High levels of risk** – for individual titles means risk is spread over a portfolio slate of films. Distributors will invest in a slate to mitigate uncertain demand in individual titles
- **Up front sunk costs** which are characterised by uncertain outcomes and a substantial time-lag before money comes in through box-office, physical and digital retail outlets, VOD and broadcasting.
- **Finance** is challenging due to sunk costs and little tangible collateral.
- **Potential market size** drives outlay. A Film production company will not start production without a minimum guarantee from a distributor on its commitment to the film. This is in contrast to the traditional manufacturing industry, in which a firm establishes the market size and what buyers are willing to pay before committing money to make it - cost co-determines price in this instance.
- **Distribution of film is dominated by US studios** who fund film through their cash flow or by minimum guarantees.

² Bakker, G. (2010), 'The evolution of the British Entertainment Business: Film, Music and Video Games', Learning from some of Britain's successful sectors: an Historical analysis of the role of government, March 2010, BIS Economic Papers No.6 Chapter