

Prime Minister

Agree with the
conclusion at X1, which the
Ministers concerned have accepted?

Ref. A084/2198

PRIME MINISTER

JMS ml FERB
1.8.

One of the issues left unresolved following the 1982 report from the Select Committee on Education, Science and the Arts was whether there should be any change in current Ministerial responsibilities for the film industry.

2. Responsibility is shared by three Ministers. The Secretary of State for Trade and Industry is responsible for commercial aspects of the industry. The Minister for the Arts is responsible for cultural aspects, including Government support for the British Film Institute. The Home Secretary is concerned with questions of taste, decency and cinema safety. The Select Committee suggested that responsibilities should be concentrated on one Minister, preferably the Minister for the Arts. That suggestion was repeated during questions in both Houses on 19 July following the statement on the White Paper on film policy.

3. The Secretary of State for Trade and Industry, and the other Ministers concerned, agreed last summer that the Machinery of Government Division of the Cabinet Office should prepare a report on this for you ~~one~~ the major review of policy towards and funding of the film industry was complete. Their report is now attached. The Secretary of State for Trade and Industry, the Home Secretary and the Minister for the Arts have all seen the report and agree its main conclusion that the balance of advantage is against any change in present responsibilities.

4. I think this is probably right. Lord Gowrie's predecessor felt very strongly that his own office would be able to do a more convincing job in helping and encouraging the British film industry than a department whose interests were necessarily commercial, and that a single department would be able to put the Government's effort into clearer focus than one. There is



no doubt something in this argument, and certainly some, but by no means all, British film makers would very much welcome such a move. But I think it underestimates the problems of satisfactorily detaching the appropriate parts of the industry from the much wider industry, and the difficulties inherent in asking a tiny department like OAL to take on the task of industrial sponsorship of an industry which cannot rely on permanent or even significant temporary Government support. It could also be short sighted to detach the film industry from the wider field of cable, satellite and information technology generally.

5. The alternative of transferring the Arts Minister's responsibilities for film to the Secretary of State for Trade and Industry is, at first sight, more attractive. It would bring together Government support for the industry in an area in which the broad policy objectives of the two Ministers are much the same, in the sense that both DTI's commercial and OAL's cultural interests require a successful and largely self-supporting industry. But there would be no presentational advantage in the transfer; there would be concern that legitimate Government support for film for arts purposes would eventually fall before DTI's harsher commercial interest. Lord Gowrie also believes that it would be wrong in practice to detach responsibility for funding of film for cultural reasons from responsibilities for other parts of the Arts Budget.

6. In simple terms, a transfer of responsibilities to the Minister for the Arts would raise expectations of greater Government support than the Government would want to deliver, and could make pressures for greater support harder to resist if the industry again got into difficulties. A transfer of responsibilities to the Secretary of State for Trade and Industry would raise the opposite fears, and might undermine the impact of the limited funding arrangements that the Government has been able to offer in its recent White Paper.



7. If you agree that no change is justified, there need not be, and indeed there would be no advantage in, any public announcement. But the question may come up again if there is any debate on the White Paper on films policy in the autumn. There would then no doubt be a need for the position to be made clear.

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ROBERT ARMSTRONG

CONQUEROR

31 July 1984

MINISTERIAL RESPONSIBILITY FOR FILMS

1. This paper considers the case for changes in Ministerial responsibilities for films following the proposed deregulation of the film industry. It covers an earlier recommendation for concentrating responsibilities under one Minister which was made in a 1982 report by the Select Committee on Education, Science and Arts.

THE FILM AND CINEMA INDUSTRIES AND EXISTING RESPONSIBILITIES

2. The film and cinema industries employ around 35,000 people, some 25,000 on the production side, and the balance on sales, distribution and exhibition. Annual turnover is around £300-400m and the industry's export record and potential is good, particularly in the growing cable, DBS and video markets.

3. The Government's main interest in the industry, as with other industries, is in its contribution to the economy as wealth and job creators, and as sources of overseas earnings. But it has an importance greater than its size. This is partly because the existence of a British film industry has for some years had a particular political appeal and some influential supporters, partly because it is significant culturally and artistically, and partly because continuing production of good quality British films may influence other countries' perception of Britain. The industry is important as part of the developing and potentially significant entertainment and leisure industry, with its links through both to tourism and to exploitation of new technologies. Industries which have previously had largely separate identities, for example the film and television industries, are increasingly coming together as part of this wider development. The industry is also important as part of the tradeable information sector which includes publishing (by whatever medium), recording, computer software and databases.

4. The Government interests and related responsibilities are at present split between three main Departments - the Department of Trade and Industry, the Office of Arts and Libraries, and the Home Office. In addition, the Scottish Education Department has responsibilities for film in Scotland which are broadly comparable with those of OAL. The detailed responsibilities are set out below.

5. The Department of Trade and Industry is responsible for the commercial aspects. Its detailed responsibilities are;

(i) general sponsorship. It provides the industry's point of contact with Government, represents its interests with other parts of the Government machine, and seeks to provide an appropriate business environment;

(ii) regulation and financial assistance. DTI administers the distribution of the Eady levy (which is a hypothecated tax on cinema takings used to support domestic film production).

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It sponsors a number of quangos - the British Film Fund Authority which distributes the levy, the National Film Finance Corporation which spends a large part of it, and two advisory bodies, the statutory Cinematograph Films Council and the non-statutory Interim Action Committee on the Film Industry. It registers films as British, provides certificates of British origin for tax purposes, and until 1982 administered a quota system requiring cinemas to show a minimum percentage of British films. It licenses renters and exhibitors and administers the law in relation to exhibition practices and co-productions.

Related functions are:

(iii) film copyright law, as part of DTI's wider responsibilities for copyright;

(iv) sponsorship of other tradeable information industries;

(v) sponsorship of the electronic and information technology industries, including those supplying studio apparatus and video equipment.

6. The Office of Arts and Libraries is responsible for cultural aspects of film. Its main tasks are:

(vi) support for film as an art form. The OAL sponsors and grant-aids (£7.7m in 1984/5). the British Film Institute which also receives £125,000 p.a. from the Eady Levy. The BFI's main function is to promote the understanding of the art of film and television. It runs the National Film Theatre and finances regional film centres, the National Film Archive and some experimental film productions. It is also developing a self-financing "Museum of the Moving Image" with some £5m of private sponsorship.

(vii) support for the professional training of film makers through sponsorship of and grant-aid to the National Film and Television School (£1m in 1984/5). The NFTS also receives about £0.5m from the Eady Levy.

7. The Scottish Education Department's responsibilities for film in Scotland are largely discharged through sponsorship of the Scottish Film Council, to which it pays an annual grant (£338,000 in 1984/5). The SFC promotes interest in and access to film; provides a Scottish Film Archive, and gives help to the training of film technicians. The Scottish Film Production Fund, jointly supported by the Scottish Film Council and the Scottish Arts Council, has a joint budget in 1984/5 of £103,000.

8. The Home Office is responsible for questions relating to cinema licensing, and obscenity; the classification of videos

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under the Video Recordings Bill; and for cinema safety. These particular responsibilities form part of the Home Office's more general responsibilities for the criminal law concerning obscenity and for fire service and safety matters. Detailed responsibilities are:

(viii) Video Recordings Bill. The Bill establishes a classification system, under which it is proposed that the British Board of Film Censors will classify video works.

(ix) policy on cinema licensing and censorship, obscenity and the issue of exemption certificates for non-commercial film shows (under the Cinematograph Acts). The existing censorship arrangements give powers to local authorities to control the exhibition of films; traditionally most local authorities abide by the guidelines given by the British Board of Film Censors, which is a voluntary body established by the industry.

(x) cinema safety. There are strict rules about this, which date from the time when cinema used highly flammable nitrate film. The regulations are made under the Cinematograph Acts which also empower local licensing authorities to attach conditions to licenses related to safety, and to enforce these conditions together with the Regulations as they apply to individual premises.

Related functions are:

(xi) broadcasting policy and sponsorship of the BBC, the IBA and its programme companies. The Home Secretary's responsibilities are to protect their independence, to ensure that broadcasting is adequately financed and to plan broadcasting policy. Television is already an important purchaser of film rights and Channel 4 has in the last few years contributed significantly to the production of films for both cinema and television.

(xii) policy on the development of satellite broadcasting and cable.

THE NEW APPROACH

9. The Department of Trade and Industry's policy review proposals will significantly alter the responsibilities in (ii), and marginally affect those in (vi) and (vii).

10. Under the review proposals, the Eady Levy and the statutory regulatory regime would disappear as would the British Film Fund Authority and the Cinematograph Films Council. The Interim Action Committee would be replaced by a new non-statutory body, which would eventually sever all links with Government and become a free standing consultative committee for the film industry. The National Film Finance Corporation would be replaced by a new private sector company, administering a fund designed to help emergent film makers enter

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commercial production with low budget feature films of distinctly British character. The fund would have the former NFFC's income from its rights portfolio, and would also be supported by voluntary contributions from the film, television and video sectors. The new company would also run a Film Development Fund, financed by the Department of Trade and Industry for the next five years, to provide finance for the very early stages of film production. The National Film and Television School and the British Film Institute would lose their Eady money, but the former would receive voluntary support from the cinema and television industries, and the latter would receive a termination payment of £250,000 from the levy, as well as the remaining annual payments for two levy years, so that from now they will receive further payments totalling some £500,000. There would also be changes to the taxation arrangements, which, though less generous than in the past, would continue to give films registered as British special treatment. Investment in film production companies would also be brought within the Business Expansion Scheme.

11. The responsibilities under (ii) would thus shrink to a general "after care" watching brief on the new private sector arrangements, administration of the BES, continuing certification of the British origin of films, and provision of grants for the Film Development Fund and appropriate monitoring arrangements. OAL's responsibilities under (vi) and (vii) would similarly require some extra work in co-ordinating the private sector contributions which would replace the automatic subsidy from the Eady levy.

CASE FOR CHANGE

12. The Select Committee (Eighth Report from the Education, Science and Arts Committee "Public and Private Funding of the Arts" October 1982) argued that the present arrangements for film within Government were confusing and unsatisfactory, that the Government's responsibility for the film industry needed to be clarified, and that film policy needed a new impetus. They believed the solution was to concentrate responsibilities under one Minister, the Minister for the Arts, who should also be given responsibility for Heritage and Tourism. But the same arguments could equally be used for concentrating responsibilities under the Secretary of State for Trade and Industry, or indeed under the Home Secretary.

13. The Government's response to the Select Committee's report (January 1984) said that the question of whether any changes in Ministerial responsibilities were called for would be decided in the light of the film policy review. But the Prime Minister has already decided against expanding the Arts' Minister's role to include Heritage and Tourism, one part of the Environment Secretary's responsibilities, the other part of the Trade and Industry Secretary's responsibilities. The basic test now therefore is how closely the present arrangements match the proposed approach to film and the policy objectives and priorities which go with it. The main questions are:

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(i) does the pattern of responsibilities look credible to Parliament and the outside world? Or is accountability confused?

(ii) are the departments concerned competent to carry out their planned responsibilities under the new proposals? Do they have the right expertise and knowledge within the Department, and the right working relationships outside it? Do they have the necessary powers and authority to deliver? Is there any risk of departments pulling in opposite directions?

ASSESSMENT

14. The Select Committee produced no evidence to back their suggestion that the present arrangements were confusing. The separate responsibilities are based on generally clear departmental remits, and it seems unlikely that the various sectors of the industry and Parliament cannot distinguish the DTI's interest in the commercial aspects of film, from OAL's interest in the artistic and cultural side, and from the Home Office's interest in censorship and cinema safety.

15. It is also not unusual for an industry to be affected by policies which are the responsibilities of more than one department. Employment and taxation policies are obvious examples. In most cases the industry is only one amongst many affected and its particular interests will be only one factor, and usually a subordinate one, influencing policy development and decision. The responsibility may be one which requires little or no knowledge of the industry. The Home Secretary's responsibility for cinema safety, for example, is more concerned with his general responsibility for the safety of the public and its protection from hazards in buildings to which it may have access than with a particular activity carried out in a particular building. Similarly his responsibility for broadcasting policy (and particularly its financing) may have quite significant effects for the financial position of the film industry, but he does not need to be an expert on the film industry to take its interests into account in developing policy, where this is appropriate.

16. On the other hand, there may be arguments for bringing together responsibilities whose policy aims, despite differences of emphasis, are broadly similar, and where the type of work, range of contacts and so on are not far apart. Concentration of the main film responsibilities under either DTI, OAL or even the Home Office would bring together all the main instruments of Government policy (apart from the taxation regime) and allow a more single-minded approach, with differences being reconciled within one Department rather than being separately represented by different departments working through different programmes. With Government responsibilities shrinking under the review proposals to the very minimum of regulation, basic sponsorship and selective support, a continuing split of responsibilities at least between the DTI and OAL, might look less

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sensible than it does now when there is a considerable body of DTI-type regulation. Although DTI is mainly concerned with commercial criteria, and OAL with artistic and cultural criteria, their policy objectives run quite closely together. The Minister for the Arts is concerned to promote film as a creative activity and as a representation of British life and values abroad. Without massive Government subsidy, that requires a healthy and developing industry, which encourages new talent and is not regulated in a way which stifles initiative. These are precisely the objectives of the Secretary of State for Trade and Industry.

17. But concentration would also bring disadvantages.

18. Concentration of films work under the Home Secretary would have the advantage of bringing it alongside his other films responsibilities (censorship and film safety), and his wider responsibilities for television, broadcasting and cable. The actual tasks would be small, and the residual regulatory role well suited the Home Office's existing style of tasks. But the Home Office has no other industrial sponsorship responsibilities, and no natural range of contacts either in the arts or commercial world. The Home Office's internal structure would need substantial reorganisation to bring film-related functions together. An addition to the Home Secretary's already considerable and disparate work load of this kind might look credible and sensible if linked to a transfer of other responsibilities (for example the whole of the arts responsibilities - but there are strong arguments against this) but it is hard to justify without it. The move would be unlikely to be welcomed by either the film industry or the arts world generally.

19. Concentration of responsibilities under the Minister for the Arts would bring film industry sponsorship alongside his support for film as an art form, which includes film making and training, and his wider responsibilities for theatre and the performing arts. The Home Secretary's responsibilities for film censorship and cinema safety would have to stay where they were. But there would also be problems in confining a transfer simply to DTI's responsibilities. Feature Film making, which fits most naturally with the Arts Minister's other responsibilities, is only one part of the film industry. Sectors like advertising, industrial film production, and film processing, are unlikely to want their interests represented by a Department which has no day to day experience of industry's needs nor a natural way into discussion of more general concern to industry. It would be possible to detach oversight of the new private sector arrangements and the residual regulation from wider aspects of sponsorship, but this would be messy (given that some film companies are involved in more than one activity). A department of OAL's size (only 49 staff) with an already large range of tasks on the arts side, might also find it difficult to develop the expertise and contacts outside the arts world which might be necessary. It is important also to recognise the enormous size of those segments of the film industry which might be added to the Arts Minister's present responsibilities

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for supporting film as an art form. The growing field of pop promotion videos, for example, is by itself spending as much as the OAL subsidises film as an art form each year. This option would also detach films from the DTI's related responsibilities for information technology, publishing, copyright, tourism etc. There would also be a presentational disadvantage, if a transfer led the industry to expect a switch of policy towards more direct support.

20. The third option, transfer of OAL's direct responsibilities for film - sponsorship of the National Film and Television School and the British Film Institute (assuming that this kept an interest in film production) to DTI would bring the residual and small direct Government subsidy under the direction of one Minister, and would also mean that only DTI, and not both DTI and OAL, were looking after the private sector contributions which would replace the Eady Lévy. One disadvantage is perhaps in initial presentation. Those who lobbied the Select Committee for films responsibilities to be transferred to the Minister for the Arts because they thought that would mean the chance of more Government support for the British film industry would see not only no more support, but the risk of the end of selective support on "arts" grounds, as DTI's commercial interests took over. But there would also be concern at handing ~~to~~ a department with essentially commercial interests the National Film Archive, the cultural involvement in film and a training institution (the NFTS).

CONCLUSION

21. The present distribution of responsibilities for film is based on reasonably clear Ministerial remits but looks untidy. ^{deregulated and the} Eady levy arrangements replaced by a largely private sector ^{run scheme} with only small, selective Government support, there will be less for Government departments to do, and it might seem more sensible - and less labour intensive - to concentrate that work on one department. But only the OAL and DTI are serious contenders for that role, and with both there are practical and presentational difficulties. A slightly stronger case can perhaps be made for transferring OAL's responsibilities for selective support to DTI which is better placed to fulfil the general industrial sponsorship role. But such a move could be seen as signalling the beginning of the end of even such small Government support for the industry as there is. Conversely a move from DTI to OAL might raise hopes of greater support than the Minister for the Arts would be able to deliver. There can be no certainty that the new strategy will produce a more financially viable British film industry, and, if the industry again ran into difficulties, it might be harder for a Minister for the Arts to resist pressure for help. It can also be said that the public pressure for a single point of responsibility, which was running quite strongly when the Select Committee made the recommendation, has largely died away. All this suggests that the balance of advantage lies in leaving responsibilities unchanged.



Reverse

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister was grateful for your minute of 31 July (AO83/2198) covering a report from the Machinery of Government Division of the Cabinet Office about Ministerial responsibilities for the film industry. The Prime Minister agrees with the view of the Secretary of State for Industry, the Home Secretary and the Minister for the Arts, and with your own view, that the balance of advantage is against any change in present responsibilities.

The Prime Minister notes that there need not be any public announcement but that the position might be made clear in a debate on the White Paper on films policy in the autumn. No doubt you will arrange for those concerned to consider whether as a matter of courtesy the Chairman of the Select Committee should be given advance warning of such an announcement.

E. E. R. BUTLER

2 August 1984