

The governance of innovation in the Film and Television industry: a case study of London, UK

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Please cite as Pratt, A. C. and G. Gornostaeva (2009). The governance of innovation in the Film and Television industry: a case study of London, UK. Creativity, innovation and the cultural economy. A. C. Pratt and P. Jeffcutt. London, Routledge: 119-136.

ISBN 978-0-415-41975-8

IMPORTANT: When referring to this paper, please check the page numbers in the journal published version and cite these.

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**The governance of innovation in the Film and Television industry: a case study
of London, UK**

A.C.Pratt and G.Gornostaeva

The focus of this chapter is innovation and creativity in the film and television industries in London. One might expect to observe, in the case of film and television industries which encompass some of the most socially and organisationally embedded organisations that have embraced digitisation, a clearer case of the impact of digitisation in on innovation. However, it is also good to adopt a cautious approach to the role of technology or the necessity of organisational and/or technological convergence that may follow.

It is possible to make a film, or a TV programme, on a laptop or a mobile phone; but, such practices are marginal. Where they are adopted their use is commonly strategic, in order to achieve other organisational aims such as simple cost reduction or novelty. The film and television industries are ‘poster children’ for digitisation and innovation; the question is, whether such changes are superficial, in the sense of new delivery systems for the same old production model, or, a substantial transformation of the process. Complex regulatory structures and market structures mean that innovation is a more organic and systemic process rather than the ‘big bang’ that is it commonly represented as. In this chapter we argue for the need to account for the complex inter-relationship of technologies, organisation and regulation. Moreover, that the roles of technology (digitization), organisation (the fragmented small firms), and governance (deregulation) cannot be generalised and will be resolved, necessarily, in particular spaces and times resulting in unique locational outcomes.

If one examines the UK FTV at a macro-scale considerable success of both TV sales and film production (receipts) can be identified both relative to the size of the UK economy, and by comparison with other economies (Dcms, 1999). How do we begin to understand this relative success? One answer might be innovation or improved competitiveness (Porter, 1998); however, arguably such ‘catch all’s’ disguise as much as they reveal (Pratt, 1996, in press). This chapter approaches the problem by shifting

analytic attention to the micro-scale and to organisational concerns in order to explore ways in which similar technologies or innovations may produce quite different industry outcomes in terms of practice. The chapter is structured around this argument; we begin by prefacing this with a discussion of innovation and creativity and next elaborating how this is worked through in the case of the film and television industries.

Innovation and Creativity

In order to sidestep some of the problems associated with technological reductionism, or economic reductionism we have sought to take a radical position. This chapter treats innovation and creativity as ‘effects’, or emergent properties, rather than externalities or inputs (see for example the discussion of (Hodgson, 1993). Our concern here is to explore systemic effects situated within networks of activities. Additionally, we are less concerned with the semantics of innovation versus creativity, for our purposes we elide the terms; we view them both in a socialised manner and seek to frame them in a broader process of transformation.

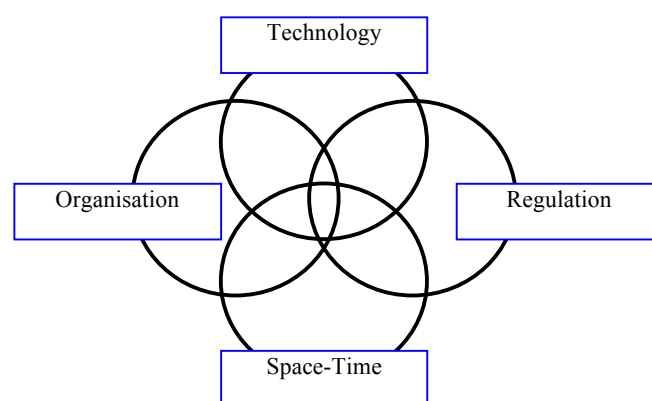
More generally, we can more usefully consider what might be termed the ‘governance’ of the film and television industries: a notion that incorporates organisation and regulation in relation to particular industries and technologies (Pratt, 1997; Pratt, 2005, 2006a). In the field of television we can note the shifts of ownership and control from public to private, to regulation of content, and regulation of monopolies. The point being that these products, processes and concepts are inter-related. The concept of innovation that we want to propose has four parts: technology, regulation, organisation, (regulation and markets are considered in particular relationship to individual industries and their particular markets) and situatedness in time/space (location).

First, technology; this seeks to highlight the range of possible technologies. The emergent empirical forms of action, organisation and output are deemed creative or innovative relative to past products, and against competing products in the market. Second, the relationship between (and within) market and state is the field of regulation. A critical point here is the degree to which power relations are skewed to

the interests of consumers or producer(s). The outcome of which is commonly referred to as ‘the market’. Third, all of these relationships are situated within the particular production practices and forms of industries/products, and they are embedded in space and time. A fourth, and final, dimension is organisation, the situated character of film and television and the fact that they operate, and are institutionally configured, in different, although sometimes overlapping, markets. Quite clearly they have different distribution and exhibition systems, they have different production cycles and budgets, not surprisingly these all shape the ways in which film or TV responds to changing technologies or regulation.

These four parts might be conceived of, with the aim of avoiding linearity, or hierarchy of cause, by representing the process not as a linear flow but intersection as in a four circle Venn diagram (see Figure 1). The figure represents innovation/creativity as a field not as the intersection of the elements per se. It is possible to generate innovations in any of the interactions; for example, ‘organisational innovation’, regulatory innovation etc. Hence, we can refer to it as a ‘field’ of innovation (like an electrical force field).

Figure 1: The field of innovation



By seeking to describe this process as the governance of innovation we seek to draw parallels with the usage of the term ‘field’ by Bourdieu (1993) in relation to cultural production - that is the conjunction of forces that generates production and innovation - we are seeking to avoid the a priori prioritisation of one or other ‘factors’. Instead,

we are proposing that these are examined in situ. The innovation that we seek to examine is not simply an increase in the volume or turnover of new products or patents as is normal in industry studies; rather, it is concerned with how the field of production is organised within the context of a particular set of constraints. For this reason we avoid a preparatory general historical narrative to the following section: we are more interested in how the threads of this process are woven. This chapter is divided along the lines suggested above by the four main dimensions of technology, regulation, organisation and location; consistent with our approach we examine, in turn, the film and television industries.

The film and Television industries

Technology

In essence, the task of either making a film or a TV programme is the same; in fact hybrid ‘made for TV’ films are common. Moreover, there are complex co-funding relationships for films ‘made by’ some TV companies. However, the essential difference is the technical quality of the product; films are generally more expensive, and require higher technical and artistic qualities in their making. The primary recording medium for film, was film, and for TV, videotape. The editing process was similar, although different, as was the recording. Film has to be developed (like a domestic photograph), where as TV on tape can be instantly played back. Digitisation has first allowed the quality of image found on film to be saved first on tape, and then on a hard drive. Consequently, data files of images and sound can be easily copied, transported, and edited and re-edited, without quality loss. Editing, does still come down to the selection and ordering of images, and the matching with sounds, in order to convey a message. Technology may speed up the physical process, but the deliberative processes are more or less the same.

Film

Digitisation has actually had relatively little impact on filmmaking. There is the potential to use cheaper recording media, and use cheaper, and more mobile, cameras and lighting. This has reduced costs and the number of people ‘on set/location’, and technology has generally been grafted on to previous production forms with little

change. Location shooting has become more attractive in cost terms as a result. Additionally, the proportions of frames per film that are digitally enhanced has increased: in recent cases approaching 80% (Pratt, 2006b). Editing has become digital (rather than physical), special effects have become more on-line creations than physical deceptions; effects or effects treatments have come to impact upon a significant percentage of total frames of films, rather than on a few discrete inserts. This expansion of editing and digital enhancement activity has led to the growth of the post-production side of filmmaking (Culkin N et al., 2005). Due to the scale of production, and the volume of CGI (Computer Generated Images), several companies and locations may be involved. In London a privately financed high-capacity broadband network, Sohonet (Nachum and Keeble, 2003), was established in 1995 to route part-finished CGI work around Soho (Sohonet, 2007), and a link was also provided to Burbank, California (the location for much film making in Los Angeles). This latter link allowed CGI to be added 'overnight' so that the Burbank next day rushes could have CGI added.

However, for all its uptake of innovative technical content film has remained very similar in terms of its distribution and exhibition. The technical possibility exists for digital distribution and exhibition of film to be revolutionised (like the music industry). However, the distribution companies have sought to retain control over film by maintaining analogue distribution and exhibition, or at least the analogue structures. Even where digital exhibition is available, the movie is projected directly from physical film stock that has to be developed and physically transported; and of which there are a finite number of copies. There has been much effort to avoid downloading film, either direct to cinemas, or to the home. It is important to contrast the film industry where there is a separation of distribution and exhibition from production, and music where it is the same organisation; hence, in the latter case digitisation poses less of a threat (if it can be retained within the music company).

Film financing is structured in dualistic manner where studios seek to recoup investment via a portfolio of films that they seek to sell on to distributors and exhibitors (who are separate organisations and industries). Filmmakers commonly seek to attach extra rights through merchandising or licensing deals. Exhibitors make money via ticket sales, but increasingly through confectionery at the point of sale

where profit margins are astronomical (Epstein, 2005). Clearly, potentially, downloading could put the exhibitors out of business.

TV

The same digital technologies have had a far deeper impact in on TV production where there are different organisational and regulatory contexts. As with film digital editing is used, however, this was not such a big shift from videotape. Because the timescales are shorter in TV the possibility of distribution of part-edited material and its re-combination in a new location is used to advantage (in the real time transfer of programmes to meet the tight temporal constraints of TV). Generally TV quality thresholds, and budgets, are much lower than those in Film. In recent years the field of TV distribution and exhibition has changed radically. Until the 1990s most TV was distributed via radio signals that required a TV and aerial to received broadcasts; however, the bandwidth expansion (and the number of possible channels) that came with the development of cable and satellite systems created the potential for a ‘multi-channel’ environment. At the same time new funding arrangements were developed so as well as traditional advertiser paid TV and public service provision, there emerged a subscription service¹. Inevitably, this multi-channel system diluted audiences per channel; in response broadcasters such as Sky set about aggressively to draw new customers with pre-pay premier sport broadcasting. The marginal cost of a new channel to the distributor is very small, but the potential returns are high. In the case of sport, then the high costs work as a ‘loss leader’ to drive the positioning of the channel. It has been argued that such tactics have been used to drive down prices and quality of news television (Bbc, 2003; Lambert, 2002). Downloading has not been constructed as such a threat to TV as the product is rapidly changing and the distributors can still retain control of the revenue stream. In fact, pod-casts and downloads are being encouraged. Another form of innovation has been the emergence of programme formats that are based upon telephone voting; the receipts from such interactive services contribute a massive 22% of all TV industry revenues (which total £743m) (Ictis, 2006) .

Regulation

By regulation we mean any way in which markets are shaped by state policy, except, through direct investment (which is dealt with in the organisation section below).

Thus, it includes a range of legal statutes that fall into two categories. First, those that regulate content and are the more traditional site of debates about quality and ‘good taste’. The system has evolved from an informal and fragmented one to its recent collective and formal manifestation is OFCOM that regulates amongst other things advertising and a significant dimension of commercial television. In film there is a film classification system that regulates who can view films. Second, those concerned with issues of competition and monopoly, and more recently about licensing new technologies (such as cable and satellite systems.) To this it should be added the BBC that is funded by the licence fee and initially solely regulated by Charter; some of its regulation now falls within the purview of OFCOM (Gb, 2003). Our main concern in this chapter is with the second category of regulation.

Film

The history of regulation in film industry before 1980 represented a contradictory mixture of protectionist measures focused on support for indigenous productions against US dominance on the market and policies directed on attracting foreign investment (Pratten and Deakin, 1999). Examples of the former are ‘quotas’ introduced by The Cinematograph Films Act 1927 requiring that UK cinemas show a certain percentage of British films in order to boost local production, or the ‘Dalton Duty’ implemented a 75% tax on US films in 1947. In the UK the Palache Committee’s Report (Baillieu and Goodchild, 2002) emphasized a necessity of anti-monopolistic intervention in the UK film industry of 1944 which tried to stop the attempts of British businesses in film to follow the Hollywood model of aggregating in one company production, distribution and exhibition (what the Paramount agreement in the US also sought in 1947). The introduction of Eady Tax in 1957 added an attraction for US companies as gave a subsidy for a film registered as British, even where the finance came from abroad. The long decline of the British film industry can be dated from this time, during 1950-60s number of studios reduced from 21 to only 7 (Kempton, 2007). The 1980s decade began with the worst recession the British film industry had ever seen. In that year only 31 UK films were made, down 50% on the previous year, and the lowest output since 1914 (Baillieu and Goodchild, 2002). Admissions in early 1980s had fallen below 100 million (Bfi, 2007) In 1984 national Film Finance Corporation was privatized causing producers to

securing distribution and seek finance from multiple sources (Gornostaeva and Pratt, under review).

Film finance in the UK has always depended upon private capital; regulators have sought to manage the margins via direct (subsidy), and indirect (tax relief), interventions. The Eady tax concession was also abolished in 1984, as a result several film studios owned or leased by major US companies closed or re-directed their activities to television. In 1985, the first multiplex was built in Milton Keynes and, as the new cinema chains built the new complexes, audiences were revived. In 1999 month-on-month admissions were the highest since 1971 (Hicks and Allen, 1999). Interest of US companies in British productions recovered by mid-1990s, when new incentives were introduced in the UK for foreign companies and when the US freed up the monopoly roles: cinema chains in Britain as a result belong mainly to US majors (Dyja, 2005). Recovery started in 1992 with the introduction of the tax incentive ('Section 42'), which allowed British qualifying films² with budgets in excess of £15million to deduct expenditure, on completion of the film, over three years (by 1990, however, by 2005 the cost of the average U.S. film shoot in the US was \$34.1 million and shoots worldwide – \$35.5 million (Katz, 2006). This incentive strongly encouraged – or rather, continued the practice of - Hollywood investment in the UK film industry. US companies managed to use other advantages of UK incentives for film industry. In 1997 'Section 48 relief' was introduced allowing 100 per cent write-off of costs on completion of the film, it was designed to help low budget British productions to start up, however this system was also exploited by US companies seeking to promote off-shore production. In 2005 there was an additional concern expressed by the industry when budgetary rules were again changed, prompting filmmakers to suggest that they would move offshore from the UK. At the same time the DCMS has developed a more complex set of rules for defining what a British film is for the purposes of subsidy and tax relief (Dcms, 2006).

TV

As noted above, the BBC is regulated by Charter and has dominated TV in the UK. One element of the BBC Charter has been a commitment to broadcast 'significant' national sporting events. Definition of the events, and the competition from Sky in particular has caused some tensions here. In the 1990s the BBC took an overtly

commercial tack, a significant innovation was ‘producer choice’ (see Born, 2004 for details of the organisational implications). A significant, although under reported dimension of this process has been the establishment of a system that requires broadcasters to choose a percentage of content from independent production companies. This has, in effect, led to the BBC outsourcing a large proportion of its programmes, and consequently and significant expansion of the programme market: the precise proportion has been changed several times. As early as 1986 The Peacock Committee recommended 40% Independent quota on BBC and ITV, in the event a 25% quota was introduced by the Broadcasting Act 1990 for terrestrial broadcasters. A 10% quota on DTT (Digital terrestrial television) channels was introduced by the Broadcasting Act in 1996. Most recently, the 2003 Communications Act set the 25% independent quota for all public service channels, including BBC digital channels (Ofcom, 2006).

Commercial broadcasting in the UK began with the establishment of ITV funded by advertising revenue, in 1955. A second channel, BBC 2 was started in 1964. However, only with establishment of Channel 4 in 1982 and especially after deregulation was confirmed by the broadcasting act in 1990 influence of commercial television became prominent; in particular, the new model of broadcaster as publisher (which was echoed at the BBC with producer choice). A franchise system in TV started in 1983 with TV-am. Channel 5 came on air in 1997. The final shift in terrestrial television has been the merging of the previously regionally-based ITV network. The significance of this regulatory relaxation is that has allowed consolidation and the creation of a large and dominant companies. Whilst local cable networks had existed for years as a parallel to terrestrial broadcasts in areas of poor reception, cable and satellite broadcast opened up multi-channel broadcasting for the UK. After considerable organisational flux Sky was the net winner in the satellite business, and Virgin Media (NTL-Telewest) in cable. The analogue broadcasting infrastructure was also privatised, and is set to become digital only around 2010. Both the regional allocation of cable licenses and the ‘digital switch off’ have been driven by Government seeking to promote a digital TV platform and ‘hoped for’ innovation related to it.

The first cross-border television channels were also launched in Europe in the 1980s with developments in satellite broadcasting. Two decades on, there are more than 100 trans-national channels operating across Europe and approximately 80 of them hold a license from the British Independent Television Commission. The ITC is a popular regulator because licenses are cheap (£250) and simple to obtain. One of the main conditions is that broadcasters must be based in the UK, making London the European centre for trans-national television. (Chalaby, 2002).

Organisation

The organisational response to new technologies and the shifting regulatory environment, as well as the changing structure and organisation of the market is the focus of this section. There is no 'essential' form of organisation for any particular set technology, industry or regulation; there are simply numerous fixes. The film and television industries are good examples of the possibility and historical example of large-scale mass production and its transformation into a fragmented flexible production system, and everything in between. This transition cannot be reduced to a simple 'technology fix'. Each particular configuration represents a different balance of risks, from one extreme of within the corporation, to the other of outsourced individuals. As we have already noted, the regulatory regimes and take up of technologies are not been parallel in film and TV and the market for film and television are quite different.

Film

As has already been noted, the British film industry has never been able to echo Hollywood's 'film factories'. The few examples of larger studios and a significant throughput of films existed in the 1920s and 1950s but they were never sustained. In the 1960s when film once again had an upturn the industry has already dominated by US investment. The pattern has been a large number of small film production companies, often referred to as a cottage industry, some of which have had limited success, but none able to grow or to sustain large scale production. US majors dominate distribution, and exhibition, despite once being under major British control,

has shifted to French and US major chains that have undertaken a huge re-investment in infrastructure, out of town multiplexes, in the last 20 years (Ukfc, 2006).

Film finance is another story; historically the US has major investments in film companies and film making in the UK, the highpoint was undoubtedly the 1960s. However, the UK film industry continues to be a significant source for US investment, and partnership funding with European funded filmmaking. A minor, although significant source of film finance does originate from UK private sources, and London is still a draw for those seeking to make a deal.

The UK film industry had a limited success in the 1980s (e.g. Goldcrest, Handmade Films and Merchant Ivory Productions) with the growing audience for film, and Hollywood's turn to blockbusters. By the late 1980s decline was the rule once again the majority of attempts to develop large film companies failed as exhibition and US majors and other foreign companies controlled distribution. Second, there were difficulties in obtaining funds for a 'slate' of films. Third, intellectual property rights were transferred to the distribution company, so that film libraries are concentrated in the hands of distributors allowing them control of the (intellectual property rights) residuals from the further exploitation of the product (on television, as a DVD, etc.)

In 1990s film companies became smaller and single project oriented, responding to a regulatory system which encouraged a separation of income streams for production (including fees for creative staff) and profits going to distributors. In 1996 UK National Lottery money was first invested into the film industry. The scheme required a number of consortia to be formed comprising film production, distribution and sales companies to bid for lottery money on franchise basis. This initiative was focused on creation of mini-studios (Baillieu and Goodchild, 2002) in order to remedy one of the common problems for publicly funded filmmaking (distribution); previously, this had led to the embarrassment of films being subsidized and made, but never exhibited. Even worse, those that were exhibited did not do well at the box office³. Of 30 films financed by the Lottery accounted for only 1% of the takings (Le Breton, 2000). Distribution rights of those newly created mini-studios were attached to US distribution companies, such as Universal and the 20th Century Fox or French Pathe

(Baillieu and Goodchild, 2002). The intention was to create a small but sustainable film industry, and for mini-studios to be able to create a slate or portfolio so that successes could be countered by failures.

In film, as in television, production has been organised around projects (programmes/films). In the classic Hollywood system projects were internalised within one company and workers re-allocated to another project at the end of the one that they were working in; the BBC worked in a similar way. With fragmentation came project firms, but also project labour. Whilst there had always been a residual freelance component to film and television production, in effect outsourcing of programme and film production made freelancing and short term working a norm. Traditionally, the strong unionisation and high pay of these industries has sought to counter balance this risk. However, the repealing of union laws in the UK has tipped the balance seriously in favour of project companies. (Blair and Rainne, 2000; Blair, 2001; Blair et al., 2001; Blair, 2003). It is for this reason that there has been such concern about training. Whereas previously part of a career was extensive training; freelancers do not get trained, or they train themselves. Arguably, British film and broadcasters are trading on a legacy of past training provision; this is one of the reasons for the intervention of Skills Investment Fund has recently to introduce a training levy on companies⁴.

Television

Independent producers and a freelance labour force started to become significant in the 1950s as a result of restrictions of trade unions in film and television industry on new employees in the industry. Many of those first independent production companies and freelancers were used by the mainstream (BBC and ITV) television even at time when strict regulations by the trades unions were in operation. Another source of origin of present independent production companies in television – spin offs from ITV and BBC after deregulation began. BBC was oriented to Oxbridge graduates with specific cultural capital. Many producers that we spoke to complained that BBC suffocated their ideas, and they celebrated an ability to be independent, seeing it as a great advantage for creativity. Our interviewees mentioned that they stopped to work

for BBC or were dismissed from there because their programmes were not needed any longer or were politically unacceptable (Darlow, 2004). Some of the more 'rebellious' independents tried to challenge the older channels with newer contexts and formats. Others, however, as our interviewees put it, were 'good boys and girls' taking with them not only well established reputations but also stable contracts with former employers.

Organisational change in FTV industry in the UK has two distinctive phases. First, the appearance and flourishing of a large number of small independent production companies related to processes of deregulation and commercialisation of needs and structures of TV and creation of 'quasi' markets (Deakin and Pratten, 2000). At this stage independent production companies had a chance to establish their reputation and relationship to the commissioning body – public or private, indigenous or foreign, broadcaster, channel, distributor or sales agent and funding bodies. At that time, as one of interviewees mentioned, 'the BBC came to us to see what we were doing, not another way around'. With the passage of time situation changed (1990s). The main broadcasters work with 300 or so independent production companies in total but only a handful of them produce the majority of output hours (McGown, 2005). Total number of independent production companies involved in television is more than a thousand according to UKFC database.

In contrast to the experience of film, independent production companies in TV have expanded their scale of production, internalised in many cases post-production, diversified markets via diversification of products (e.g. entertainment programmes in combination with serious documentary) and sales territories, independent production companies combine production and distribution and acquire small companies representing expertise in particular products. The 2003 Communications Act introduced the new code of practice, the terms of trade between public broadcasters and production companies were changed giving producers greater control over intellectual property rights in their programmes, which helped them in accumulating finance for the development of the next programme, and in the building up of libraries of their products, which can be later sold or rented thereby producing another income stream (Ch4, 2005; Pact, 2002, 2003). Film companies couldn't achieve the same

result, which was another reason for not being able to accumulate capital and to retain film libraries. The film libraries were sold, together with the property rights, to privately owned distributors.

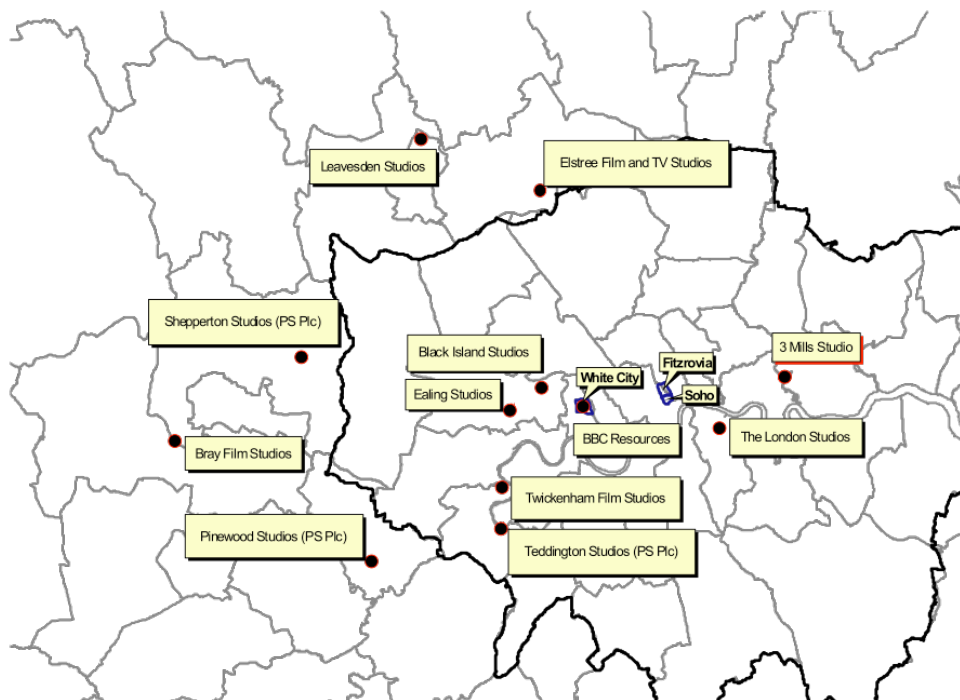
Television has also become a player in Film, C4 had set up a film fund, and the BBC has expanded its operations. In 1998 the Arts Council for the first time awarded £1m of lottery money to the US major (Miramax) for its £6.4 million adaptation of Jane Austen's Mansfield Park (1999), and, as a result, the film was distributed by Miramax in the US market, with the film's television rights going to one of the film's co-financiers, the BBC (Kim, 2003). The BBC has undoubtedly provided a vital training ground for generations of workers. One of our interviewees described with admiration the BBC training system where for several weeks a person moved between departments and watched and learned special skills, e.g. production, directing, documentary work, etc. and then this person could choose the work he was most interested in. Work was concentrated on creativity; trainees had to produce 'an idea', 'to generate the story' and to develop it. This type of career and skill development cannot find a place in the new independent sector where projects are so tightly costed, and time scales do not allow for, training (see (Christopherson, 2003) for a US example). The Government and industry have also invested in the National Film School⁵ in response to training issues, plus a recent agreement place a levy on ITV companies for freelancers' training (Ofcom, 2005).

Location

The film and television industries are concentrated in London in terms of number of firms, workers and turnover. This pattern has not changed significantly in the last 100 years. However, such a gross generalisation does cover up a more complex geography. In the early years film and television might be best described as co-incident, there is evidence that in recent years this relationship have developed into a closer dependency. At the same time as commercial pressures seem to have favoured concentration, there has been a growing political pressure to disperse television production, and to a lesser extent film production (Cornford and Robins, 1991, 1992).

Film

The historic focus of the Film industry is Soho, London, to be precise Wardour Street. It was really in the 1920s that Wardour Street was redeveloped with significant investment from US film companies seeking to secure a foothold in the UK. The primary activities in these locations were business and administration; film making proper, that is the sound stages, were located on the outskirts of London. Over time the ailing fortunes of the British film industry reduced capacity and led to the closure of many studios. Some were converted to television use (Elstree, for example) in the 1960s; others were closed altogether, and a few merged. The US investment of the 1960s, and the positive exchange rate in the 1980s gave UK studios a temporary competitive edge. At the current time there are 10 studios remaining in Greater London region operating across 13 locations; the locations of these are in the Central, North and West of London and outside the M25 (see Map 1) .



Map 1: Film and TV production spaces in London.

Initially, filming and editing were carried out at the studio (sound stage); however, as these services have become more specialised and expensive they have relocated to Soho. A good example is film special effects; initially the UK gained pre-eminence in this area with films such as the James Bond and Star Wars franchises, and 2001: A space odyssey. The transition from physical effects and models to digital effects was echoed by relocation to central London where there had been already existing expertise in video and sound editing; activities which overlapped with those requirements of TV (see below). In the C.21st Soho has become one of the global nodes of special effects work. However, one of the problems with this work is that it is very labour intensive and irregular. Companies such as The Mill, a pioneer in this area, has recently announced that it will withdraw from film special effects and concentrate on the more balanced market of TV and advertising (Kemp, 2007).

Soho provides a number of critical services for Filmmakers. First, it offers a vast source of industry knowledge and informal information exchange through serendipitous interactions ‘on the street’ and in the restaurant. In 1985 Groucho club was established in Soho, this and a number of other clubs serve as an important networking space for TV. Second, there is access to film funders, and to distributors (who are also located there), and to the international TV market. Third, it is a hub of a large and very specialised labour market (technical and artistic) that facilitates the diverse possible skillset combinations that are necessary for varied film output. Undoubtedly, a Soho address is prestigious; we have noted that many smaller production companies have a ‘Soho address’ in name only; the fact that this is deemed necessary is indicative of its import. In fact, a number of smaller production companies are to be found on the edges of inner North London (Camden, Kentish Town); here, locations are cheaper, and occasional access to Soho is possible. More established companies seem to require a permanent presence in Soho.

A recent change to this pattern has been the establishment of a new studio in Glasgow; devolution has created a significant economic and administrative unit of Scotland. In recent years Scotland has attracted location shooting, and the development of a studio has been pushed to support such ambitions.

TV

There was not really a significant independent television production scene before the 1982. There were independent producers but they worked for the BBC or ITV (Darlow, 2004). The establishment of C4 called into being a number of small companies (many of these were ex-BBC, a trickle that became a tide with producer choice). Initially, these companies clustered around C4's commissioning HQ just North of Soho. Soho was attractive in terms of relatively low rents and proximity to the advertising industry (who used their services as well). As the sector grew and Soho was regenerated with other investment, prices became high. However, Soho remained the epicentre of post-production for TV, and the site of many independent producers. In 1986 Framestore was established to serve the needs of advertising first, and later of film animation, and animation in TV. A sub-cluster also emerged around the BBC TV centre in White City, West London. A number of sound stages and theatres are used by TV located in central London, however, Soho remains convenient, especially with the development of Sohonet, to relay part-finished programme materials for editing and post-production work.

In the 1960s and 1970s television had a pronounced regional dimension; the BBC had a number of regional broadcasting studios, and ITV had a parallel network. For the BBC London was still 'the centre', in the commercial sector Manchester became a significant centre based around Granada TV. The development of producer choice in the BBC pulled the focus back to London and the new independents needed to be close to the 'commissioners' to get the right pitch to gain work. The merging of ITV has meant that Manchester and Glasgow remain significant players in TV. Two other factors have led to a counter-London shift for the BBC. First, a later manifestation of producer choice has created a quota for 'outside M25' programming (Ofcom, 2006); this has been introduced in 1998 by the C4 'Nations and Regions' initiative, which required to spend 30% out of London that has resulted in a focus on Glasgow as well as London. C5 agreed to a 10% out of London target in 2001, and in 2002 the ITV Charter committed ITV1 to an out of London spend of at least 50% including both regional and network programmes. In 2005 Public sector broadcasting review increased ITV's out of London (OOL) quota; second, the BBC has plans to relocate Children's TV and Sport to Manchester (Breen, 2004). This move has yet to

materialise. In fact, the success or otherwise of the initiative will reveal much about the critical mass and attraction of London to TV.

Conclusions.

On first impression film and television appear to be very creative industries, and, moreover, industries that are at the forefront of the use of new technologies in the form of digitisation. We have outlined a conception of creativity and innovation that was about interconnected systemic changes in networks of firms. The chapter was structured around the idea that production process (which may or may not be ‘inside’ a firm) is best viewed as a ‘field of innovation’ that is articulated around the four ‘moments’: regulation, technology, organisation and location. We argued that creativity and innovation was an effect of particular configurations of the ‘moments’ in relation to particular industries. This is why we argued for the need to examine film and television separately.

It might be attractive to point to the role of new technologies in change, to be sure technologies used in production have changed – digitisation - however, the chapter shows that there is more of a question as to the ways in which this has changed the organisation of production. It is clear that a raft of regulatory changes have enabled, although not determined, significant organisation change – predominantly the creation of an independent sector in TV, and less positively, the maintenance of a ‘cottage industry’ in film. Finally, markets and means of distribution have changed, especially in TV. In a multi-channel environment the audience is re-constituted and re-segmented; moreover as funding shifts to income generation via secondary sources (phones, or merchandising) this also has an impact. In short, there has been a shift away from a centralised productivist form (not to complete fragmentation and niches) to a more dispersed / fragmented and hybrid form (production and consumption, niche and core). It is the outcome, the effect, of these tensions that produce and value a particular spatial form: prioritising more networking, regard networks, niche competition, cartels; at the same time the particularity of spatial form enables certain types of social and economic interaction.

We have shown that the re-constitution of the field has led to the production process being re-articulated in quite different ways due to particular capacities of firms associated with capitalisation, and access to markets; these factors in turn are filtered through regulatory structures, local organisational arrangements and shifting market structures. We noted that both film and TV industries have been through significant changes, but that they have responded in different ways. One of the physical expressions of these shifts has been location. Whilst we noted that London, and Soho, has been the core location over a number of years, the precise patterns (and functions performed there) and reasons have changed.

This analysis points us to a number of issues regarding innovation and creativity concern the context and setting of innovation and creativity. An issue pointed to in this paper and expanded elsewhere concern the physical co-presence that is needed to produce film and TV programmes to sustain the labour market, and the information system upon which both rely. In another paper we have discussed the importance of reputation for workers and companies engaged in competition with others in the same industry and locale (Pratt, under review). Second, we also have argued that we need to look outside and across firms to see the network within which they are embedded. At least two can be identified. The first comprising of the shifting production chains of film and TV that link sound stages, post-production, commissioning and financing, and selling on product. Second, the international production networks that London is embedded in both as a global city and an international node of image production (film, theatre, fine art, new media, and advertising). The wider intersection of these local and global flows is critical to understanding the growth and sustainability of London's film and TV competitiveness.

The next few years may prove to be interesting as the BBC seeks to develop a stronger presence in Manchester, and Glasgow seeks to develop its support for film and TV. Whilst these shifts are based to a major extent on the supply of infrastructure, the real question will be if they achieve to sustain a critical mass in the labour market to sustain and grow the skill set that the industry depends upon. In addition, as we have noted, there is a systemic problem with training in both industries, especially in TV. The challenge is for agencies such as Skillset to create a training levy that will

match the past solution that was the BBC training; and where will the new skills for cross-media working come from.

Acknowledgements

This research was funded through ESRC Award 'The Role of Production Chains in the London Film & Television Industry Cluster.' Reference Number: RES-000-23-0653

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¹ Sky Television plc was a four-channel satellite television service launched by Rupert Murdoch's News International on February 5, 1989. Sky Television merged with collapsed rival British Satellite Broadcasting in 1990 to form British Sky Broadcasting (BSkyB). The merger was effectively a takeover of BSB by Sky, although the latter was also suffering massive losses. WIKIPEDIA (2007) Organisation website. Wikipedia.

² There is a long debate about what a 'British qualifying' film is; see http://www.culture.gov.uk/Reference_library/Publications/archive_2006/culturaltestguidance.htm (checked March 24 2007).

³ In film marketing is critical to success, so, this failure is as much to do with marketing and distribution issues as with 'quality' per se.

⁴ See http://www.skillset.org/skillset/press/2003/article_2555_1.asp (checked March 24 2007).

⁵

http://www.skillset.org/film/training_and_events/screen_academies/article_4190_1.asp (checked March 24 2007).