

Public Policy and Independent Television Production In the U.K.

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ABSTRACT The structure and performance of the independent television production sector in the UK have been strongly affected by public policy interventions. Such interventions have introduced more competition and have generally sought to strengthen the position of 'indies' by, for example, raising levels of demand for their output amongst domestic vertically integrated broadcasters. However, the efficacy of such policies in terms of developing a thriving and economically successful independent television production sector is open to question. This article provides an analysis of the effects of recent policy initiatives on the creative work environments and on the business circumstances and behaviors of UK independent program-makers.

KEY WORDS: television, programming, policy, competition, United Kingdom

In Britain as elsewhere, increased emphasis has been placed on the importance of creative activity as a contributor to economic growth and prosperity over recent years. Production of content for television and other audiovisual delivery platforms is regarded as a significant component of the creative economy (Hutton et al, 2007: 241). And television content production has been the site for numerous policy interventions on the part of the UK Government over recent decades.

On the whole, policies have been successful in promoting the development of an independent production sector. But it remains something of a cottage industry with only relatively few commercially successful SME firms. Broadcasting policy, as opposed to industrial policy, has been the main route used to foster the sector, and, rather than

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providing state aid, most effort has focused on promoting competition and ensuring shared ownership of intellectual property (IP).

British television production as a whole counts as a success in many respects. According to data cited by communications regulator Ofcom, British viewers enjoy 'one of the highest levels of domestically originated programming in the world' (Ofcom, 2006a: 1). In addition, helped by the English language factor, UK producers account for a share of around 10 percent of the global market for finished made-for-television program sales (Colwell and Price, 2005: 3). Exports of UK-made entertainment programs and formats have grown strongly in recent years. A portion of 10 percent of the international market is, of course, dwarfed by the USA's share of some 70 percent but nonetheless confirms Britain's position as the second largest exporter of television programs in the world (Oliver & Ohlbaum, 2006; Steemers, 2004).

At the same time however, Britain exhibits a worsening deficit in the balance of its international trade in television material each year. Like the rest of Europe, the UK buys in more from than it sells to the US television industry annually. In addition, while a process of gradual restructuring of the UK production sector is ongoing, it remains that many and indeed most companies within it struggle to make any sort of viable return from television program-making.

The television production industry in Britain is made up both of the in-house production arms of vertically integrated broadcasters (such as the BBC and ITV plc) and of an 'independent' production sector—i.e. one in which program-makers are not cross-owned by broadcasters (or vice versa). In spring 2008, an annual survey of levels of turnover and profitability amongst independent producers painted a 'dismal picture of the general state of health of indies...' (Broadcast, 2008: 3).

This article focuses on the circumstances and performance of independent producers and it analyses major public policy interventions that have impacted on the structure of this sector since it sprang into life in the early 1980s. It provides a critical analysis of the effects of recent policy initiatives on the creative work environments and on the business circumstances and behaviors of UK independent program-makers.¹

FOSTERING AN INDEPENDENT SECTOR

Since the early 1980s the UK Government has introduced several key policies intended to foster and support the position of an 'independent' production sector. Initially, the emphasis of such interventions was on introducing competition in program-making and countering the strength of vertically integrated broadcasters by boosting demand for indepen-

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dently produced programs. More recently, the focus has shifted onto securing improved terms of trade for program-makers. The key initiatives are outlined below.

Channel Four

Although the virtues of competition tend to be widely embraced these days, television program-making is an activity in which, in many countries including the UK, front-line competition between rival suppliers has been remarkably slow to arrive. Television broadcasting was established in the UK in the 1950s, but program-making as a separate stand-alone commercial activity did not really come into existence until the early 1980s.

Until then, the business of making programs was often seen as merely a 'cost of sale' within broadcasting. Across Europe's television industries with their strong traditions of public service and monolithic state broadcasting institutions, program-making was commonly seen as an activity integral to the task of broadcasting rather than a separate function in its own right. In the UK, a so-called 'cozy duopoly' of vertically integrated broadcasters comprising BBC and ITV made virtually all their own television programs in-house up until the 1980s.

This changed with the arrival of Channel Four in 1982. The desirability of opening up broadcasting structures had been signaled in an earlier public enquiry (Annan, 1977; Freedman, 2001). The potential value of having a competitive and economically robust program production industry was recognised. Thus, the setting up of Channel 4 as a 'publisher-broadcaster' was an important first step in fostering the development of a fledgling independent television production sector.

As a publisher-broadcaster—the first entity of this kind in the UK—Channel Four had no in-house production capacity of its own. The new channel's remit involved serving minorities and providing experimental content. The demand for programs that accompanied Channel Four's arrival provided a crucial trigger for the initial growth and development of an independent sector in the UK (Ofcom, 2006b, 34).

The Peacock Report and the 1990 Broadcasting Act

Shortly after the arrival of Channel 4, an enquiry led by Professor Sir Alan Peacock was invited to consider questions around the future funding of the BBC. This Report concluded in favor of continuation of the licence fee (Peacock, 1986). However, Peacock extended the focus of his committee's enquiry to provide a more broad-ranging economic analysis of the television industry.

One of Peacock's main findings was that the vertical structure of the television industry, which allowed little scope for independent producers to compete and participate in program supply, was in need of change. The Committee recommended that a compulsory minimum quota be imposed on broadcasters for a proportion of their programming output to

be sourced from producers who were 'independent', i.e. not owned or controlled by a television broadcaster (ibid). The idea behind this measure was to introduce competition in program production and thus force UK broadcasters to restructure their operations so as to disaggregate program making from broadcasting.

The recommendation of a compulsory quota was formalized in the 1990 Broadcasting Act which introduced a statutory minimum of 25 percent access for independent producers. Since 1990, the BBC and ITV have been obliged to purchase around a quarter of their 'qualifying' programming output from television production companies that not owned by themselves or any other broadcaster.

The subsequent 1996 Broadcasting Act, whose main purpose was to facilitate the introduction of digital terrestrial broadcasting, reinforced support for the independent sector by introducing a 10 percent compulsory access quota on all digital channels. This measure goes no further really than promulgating the basic requirements set out in European law (in Article 5 of the Television without Frontiers Directive and brought forward into the Audiovisual Services Directive approved in December 2007) to provide at least some access for independent program-makers. Nonetheless, it signaled an ongoing commitment to the development of a content creation industry in the UK that is separate and independent from broadcasting.

The Communications Act 2003

By the late 1990s, it was recognized that compulsory access quotas alone were not enough to ensure that independent program-makers could compete effectively with and counter the long-standing strength of the broadcasting industry. A major review of the sector in 2002 conducted by the Independent Television Commission, then regulator of UK television broadcasting, acknowledged that lack of negotiating power on the part of independent producers was a significant problem (ITC, 2002). On account of their weak bargaining position, television content producers were left with little or no ownership of secondary rights, and had little economic incentive to build up and exploit their program brands, for example, by developing formats suitable for digital media.

The Communications Act 2003 tackled this situation by requiring a new regulator for the communications industry in the UK, Ofcom, to oversee the introduction and implementation of suitable Codes of Practice governing transactions between broadcasters and independent producers. New Codes have since been implemented that improve transparency in dealings between broadcasters and independent producers and offer better opportunities for unbundling of primary from secondary rights.

Other Measures

In addition to the above main levers used to pry open opportunities for independent production to flourish in the UK, program-makers have benefited to some extent from a range of other measures aimed at encouraging, for example, enterprise, regional development, creativity etc or, on cultural grounds, more production of minority language content. The perceived importance of sustaining some level of indigenous film production is reflected in the existence across Britain of a number of regional screen agencies, many of whom have recently extended their remit to include support of one kind or another for television production.

Concern to promote regional production can be traced as far back as the early 1950s when Britain's first commercial channel—ITV—was set up as a network of separate licensees operating across different geographical portions of the UK. The federal structure that prevailed prior to consolidation of ownership at ITV (via a series of mergers which resulted in the founding of ITV plc in 2004) helped promote several regional clusters of television production activity, remnants of which still continue today, mainly in Manchester and Leeds.

The BBC has also taken steps (e.g. through the Hatch initiative) to try and promote more 'out of London' production. Channel 4 too has played a role in counter-balancing in-built biases that favor London-based production. Through the 4IP program, for instance, Channel 4 is currently working to secure partnership funding from regional screen agencies and other development bodies such as Scottish Enterprise, Yorkshire Forward and NESTA to invest in more UK-based production of content for the online world (Dowell, 2008).

IMPACT ON “INDIES” OF PUBLIC INTERVENTIONS

Despite the ambition of some recent schemes, enterprise and regional support initiatives have tended to play only a minor role thus far in developing independent production, whereas broadcasting policy interventions have been very significant in propelling the sector's growth. The key interventions outlined above have, since the early 1980s, driven a process of major restructuring in the UK television industry characterized by an element of disaggregation between production and broadcasting and by the arrival of numerous small independent television production firms. The arrival of Channel 4 contributed to the rapid development of a sector which, by the mid-1990s, was comprised of around 800 independent television production companies. Most of these were small or medium-sized enterprises. The introduction of a compulsory access quota for independents at the BBC and ITV helped redistribute demand for television programs in favor of these emergent independent production firms. Thus, throughout the 1980s and 1990s, a very large number of independent television production firms were brought into existence in the UK.

The positive benefits of restructuring are generally quite widely acknowledged. Diversity has been enhanced for example, with a wide range of output generated by independent producers now visible on a daily basis across all major UK television channels (Preston, 2002: 2). In squaring up to the opportunities created by a much more open market in program supply, many independents have exhibited great vitality and innovation and some—particularly those who have managed to turn out ‘hit’ product on a reliable basis—have become significant suppliers and achieved impressive financial returns (Colwell & Price, 2005).

So the initiatives taken in the UK to develop an independent production sector have been successful in many ways. According to data collected by UK regulators, the BBC has sometime struggled to meet the 25 percent access quota but has been successful in recent years while the main ITV channel has fulfilled it each year since its introduction (Ofcom, 2006a, 34). These opportunities and this flowering of independent creative talent have added positively to the diversity of voices and ideas that have found expression on British television screens over the last two decades. Increased competition within program-making has also served the intended purpose of improving cost-awareness and regard for efficiency throughout the industry.

But the restructuring of the television industry has also brought changes that do not universally favor the interests of program-makers. Many of the new ‘indies’ and freelance program-makers that emerged in the 1990s were, in fact, former employees of ITV or the BBC who found themselves the victims of successive rounds of rationalization caused partly by the progressive implementation of the compulsory quota and the concomitant need to reduce or casualize any excessive in-house production capacity within broadcasting companies (Ursell, 2000).

Setting aside disruptions endured by individual program-makers, at least two aspects of the restructuring have given cause for wider concern. One concern has been the impact of interventions that have caused fragmentation in the industry on conditions for creativity within television program-making. Another has been resultant weakness in the negotiating position of producers vis-à-vis broadcasters. These issues are analyzed in further detail below drawing on findings gathered from creative workers and managers across the UK television industry both in the 1990s and more recently.

Creative Working environment

The restructuring of the television industry in the 1980s and 1990s resulted in the ‘casualization’ of many television production employees and a shift towards a predominantly freelance labor market (Ursell, 2000), together with the establishment of hundreds of small independent production companies, many employing just one or two individuals. Whereas a massive increase in the number of rival firms active in markets for program supply undoubtedly delivered additional

competition, at the same time it also involved quite significant change for the sorts of organizations, working environments and communities of practice involved in making television programs at ground level.

Data collected from an earlier major longitudinal tracking study of creative workers in the television industry in the 1990s provides some very useful evidence on the extent to which UK program-makers have found the restructuring of the industry and accompanying changes to their work environment beneficial in terms of creativity. In data gathered for this study, a number of possible factors were identified by television creators as being critical to a creative working environment and these were ranked by (from 1 to 5) in terms their importance. Table 1 shows a strong consensus amongst respondents about the six factors that were ranked as most influential: each was rated at 4 or 5 by more than 80 percent of all respondents. They were ‘working with talented individuals’ (mean=4.48), ‘trust between colleagues’ (mean=4.44), ‘working as a team’ (mean=4.34), ‘effective leadership’ (mean=4.26), opportunities for ‘exchange of ideas’ (mean=4.23) and ‘responsiveness [of colleagues] to ideas’ (mean=4.20).

Table 1: Factors most valued (top 6 out of 18) about the Work Environment

Rating awarded:	Not at all important				Most important	Total N
	1	2	3	4	5	
	(%)	(%)	(%)	(%)	(%)	
Talented individuals	0.3	2.1	5.9	32.5	59.1	286
Trust	0.3	1.4	8.7	33.1	56.4	287
Working as a team	0.7	3.1	12.2	29.9	54.2	288
Leadership	1.8	3.9	9.3	37.0	48.0	281
Exchange of ideas	0.7	3.2	13.0	38.6	44.6	285
Responsiveness to ideas	0.7	2.5	13.8	42.4	40.6	283

It is widely acknowledged that people and teamwork are often at the core of media and content-making businesses (Aris and Bughin, 2005; Collie, 2007; Ryan, 1992). Creative projects frequently rely on the coordinated efforts of a team and on an organizational setting that facilitates exchange of ideas and shared commitment (Kung, 2008: 154). Therefore that these findings underline the high importance, in terms of fostering a creative environment, attached to working relationships between people, is not especially surprising. Relationships with talented individuals are particularly highly valued. As in other areas of creative activity, individuals in television that are seen as uniquely gifted exercise a powerful draw (Bilton, 2007: 23-8) and strong recognition is accorded to their contribution to creative endeavors.

Looking at how this relates to the restructuring of UK television production, a notable finding is that a sizeable cross-section of program-makers questioned in the 1990s tended to highlight adverse rather than positive implications for creativity brought about by industrial fragmentation, changing organizational structures and the advent of a predominantly freelance labor market. Contrary to any assumption that the separation of program-making from broadcasting might provide more ideal circumstances for innovative and creative talent to flourish, many producers indicated that the set-up within a vertically integrated entity (i.e. prior to restructuring) seemed more conducive to creativity than life as an independent or a freelance worker.

A typical viewpoint, offered by a film editor surveyed in May 1998, was this:

I miss the melting pot of ideas with producers, directors and editors... all sitting over coffee in the BBC canteen chewing the fat. I still feel we offer creativity but only if time allows. When budgets are tight the easy route seems enough.

The fact of being in a small production company does not of course imply that success is unattainable (Davis, Vladica and Berkowitz, 2008). And some UK independent producers have found the disaggregation of the industry advantageous. But, while opening up numerous opportunities for independent program-makers, this restructuring has simultaneously engendered changes in the everyday working environment that many producers regard as damaging rather than beneficial for conditions of creativity (Paterson, 2001). Many of the creatives surveyed in the BFI study emphasized a sense of isolation coming about from new structures and working environments, with fewer opportunities within smaller firms for day-to-day learning of creativity from others, and with fears about becoming cut off from events in the world of broadcasting and at other independent production companies. The downside of the emergent occupational individualism in a project-based world has been an absence of conditions best suited to creative work and the lack of creative hatcheries or nurturing environments for the development of new creative talent (Mulgan and Albury, 2003).

Business Development

The 'let a thousand flowers bloom' philosophy that underpinned the setting up of Channel 4 met with success insofar as that the production sector in the UK is no longer dominated entirely by broadcasters but rather by the hundreds of producers that now operate autonomously as independents. In terms of business development however, the problem for independent producers is that, because there are so many of them, individual firms (unless they have already managed to establish

reputations as ‘important’ suppliers) tend to lack bargaining power in their negotiations with broadcasters. Program supply is a market place in which the number of sellers (i.e. producers) far outstrips the number of buyers.

It has sometimes been argued (Brown, 1999; Doyle, 2002: 80) that as patterns of viewing become more fragmented and personalized thanks to the use of electronic program guides, personal video recorders, etc and increased reliance on digital and interactive platforms, self-scheduling by viewers may eventually displace the need for television channels. A point may arrive where programs themselves rather than channels will become increasingly important as brands and thus modes of interaction between producers and consumers may well be transformed. For now however, it is generally not audiences per se but channel packagers and broadcasters who are the customers for television programming.

Broadcasters are the main buyers of television content and program supply remains a buyers’ market. In the UK, the market for original program production was worth around £2.6bn in 2006, but buying was concentrated into the hands of just four broadcasting organizations who between them were responsible for around 95 percent of all this expenditure (Oliver & Ohlbaum, 2006: 8). These buyers are themselves also program makers. The main players in broadcasting—the BBC and ITV—are vertically integrated entities who, while complying with their statutory obligations vis-à-vis independent access, still purchase the majority of their programs from their own in-house production arms and still command very significant negotiating strength. The imbalance in financial and negotiating power between broadcasters and independent producers inevitably takes its toll on terms of business.

Historic data about the state of financial health of the independent production sector confirms that turnover tends to be volatile and profit margins generally very slender (Oliver & Ohlbaum, 2006: 9; Broadcast, 2008). One of the main perceived causes of underperformance on the part of independent production sector up until the time of the Communications Act 2003 was the ‘cost-plus’ model of finance for program production that prevailed in the UK. Under this system, broadcasters who commission programs from independent producers have been prepared to cover the production budget in full and also to pay the program-maker a small up-front production fee or ‘profit’, usually of around 10 percent of the total production budget. However, in return, the broadcaster acquires not only the primary rights (or first right to transmit the program and also to repeat it over a given time period) but also, generally, the majority of secondary rights (e.g. for DVD distribution and overseas sales). Effectively UK broadcasters tended to pay all production costs, so that producers have not been exposed to any financial risk. However in return broadcasters also have also retained the majority of secondary rights (Doyle, 2002: 82). This system contrasts sharply with the ‘deficit financing’ model which has been prevalent in the US over many years whereby program-makers share a portion of the

financial risks involved in production in return for retaining full ownership of secondary and tertiary rights to their programs (Litman, 1998: 140). Thus, producers in the US have historically been much better placed than their counterparts in the UK to financially exploit their own 'hit' programs.

So, although the restructuring of UK television brought into existence a very large number of independent program-makers, many and indeed most have failed to develop as truly successful commercial entities. A major part of the explanation for this lies in lack of control over and effective exploitation of secondary rights on the part of independent producers.

By the start of the 21st century, policy makers were recognizing the importance to the business performance of independent producers of rights ownership and of a more equitable apportionment of risks and rewards between the program-making and the broadcasting sectors. Through the Communications Act 2003, Ofcom has been tasked with overseeing the introduction of fairer and more transparent terms of business between broadcasters and independent producers. Broadcasters are now required to offer deals to independent producers where primary transmission rights may be unbundled and priced separately from the additional or secondary rights.

The arrival of new Codes has fed into a further phase of restructuring of the television production industry. Numerous mergers and acquisitions between independent producers have taken place backed by venture capital. The emergence of a number of larger sized independents such as IMG, Endemol and All3Media who, on account of their scale and track records, have managed to achieve considerable status and financial success, has been a notable trend (Dignam, 2007). A survey of 150 independent production companies conducted by Broadcast magazine in 2008 showed that the top ten such 'super indies' accounted for more than half of the total reported revenues (of £2bn) for this group (Broadcast, 2008: 4). Amongst the cluster of larger sized production companies that have emerged, a more 'risk-positive' and entrepreneurial culture is evident with 'business models geared to production for the world market and to the maximization of the global value of ... rights' (Colwell and Price, 2005: 6). This augers well in terms of the sectors' commercial prospects over the longer term.

But the majority of the 400 or so active independent production companies that exist in the UK at present remain small enterprises. A recent study noted that '[d]espite the emergence of larger independents, the supply of programming remains a fairly fragmented market with the largest indies in the UK are still much smaller and less profitable than the leading in-house production companies' (Oliver & Ohlbaum, 2006: 3). So, despite now being offered better and more transparent opportunities in relation to retention of secondary and tertiary rights, the fact remains that relatively few program-makers have been well placed to make the most of ever-increasing opportunities for programming assets to be

exploited across additional geographic territories and additional platforms.

Even after implementation of new Codes, lack of flexibility on the part of broadcasters in agreeing deals that, for example, allow producers latitude to develop alternative and more innovative uses for program material (say, as content for mobile platforms) that is being commissioned has been a subject for complaint by program-makers (PACT, 2006: 22). Research carried out by Ofcom indicates that, while most producers are pleased about the arrival of improved terms of trade, there have also been concerns about knock-on effects on innovation and creativity. Some worry about the likelihood of broadcasters becoming more risk averse (because they no longer stand to reap the secondary benefits of a 'hit' program) and others about increased pressure towards 'returnable series and exploitable formats' at the expense of more experimental or high-risk work (Ofcom, 2006a: 136; Morrison, 2008: 92).

Competition: A Mixed Blessing?

Almost from their (academic) cradle, economists learn the virtues of competition. Whether couched in the elegant prose of Georgian English, or in the more direct style of the 21st century, the message is the same. Competition is a good thing; it makes markets work well, and is in society's interests (Davies et al, 2004:1).

Most economic theories agree that competition is an essential means of disciplining suppliers in terms of costs and encouraging inventiveness on their part in serving the needs of consumers (Geroski, 2006: 26). Markets in which there is a concentration of power are prone to a selection of inefficiencies and problems including, for example, abuses of that power through excessively high prices being charged to consumers or indifference about product quality. Thus, absence of competition is a form of 'market imperfection' (Davies et al, 2004:4).

Because the media industry is generally prone to oligopoly, it is also prone to the many forms of resource misallocation that accompany concentrations of market power. One straightforward example of this might be the very high inflation in charges for UK television commercial airtime in the 1980s—a time when competition within supply was virtually non-existent (Doyle, 2002: 168). So the standard provisions of competition law apply to media as all other sectors of industry and indeed few if any sections of the media industry have escaped the attentions of the UK competition authorities at some stage over recent years because of instances of perceived or actual anti-competitive behavior.

While absence of competition will sometimes call for a special intervention on the part of the state to correct it, it is also true that lack of competition can itself be the result of an intervention seen as serving the public interest. Again, examples in the context of media of where

state authorities have intervened to limit (as opposed to encourage) competition are abundant and include, for instance, regulation of access to the airwaves. Copyright is another good example; monopoly rights are accorded to the originators of media content to exploit their own intellectual property because the benefits to society of having a system of incentives for artistic creators are generally seen as outweighing the potential drawbacks of monopoly power (Towse, 1999).

The lack of competition in program-making which became a significant focus of the Peacock enquiry in the mid-1980s was less a result of design than perhaps a natural evolution of an industry predicated on scarcity of spectrum. But the Peacock committee's warnings that lack of competition was contributing to inefficiency and that the predominance of vertically integrated broadcasting companies was stifling the growth of a strong independent program-making industry in the UK were certainly strongly heeded.

Through introducing compulsory independent access quotas, the UK Government forced vertically integrated broadcasters to look much more carefully at the cost-effectiveness of in-house program production resources. This precipitated several waves of rationalization in the UK television industry in the 1990s. At the same time, additional demand for the output of independent producers was an effective stimulant towards the development of numerous firms eager to compete for opportunities to supply content for UK television audiences. Thus, public policy was effective in addressing a number of perceived inefficiencies in the broadcasting industry while, at the same time, ushering in plentiful competition in production and adding positively to diversity and pluralism within the supply of television content.

But has plentiful competition assisted the fortunes of independent producers? Our findings in relation to the UK television production sector offer some striking counter-evidence to conventional assumptions that business flourishes on competition and that creativity flourishes on autonomy. Quotas certainly have boosted demand for the output of UK independent producers. At the same time, an excess of competing suppliers has impacted adversely on the bargaining power of all players (except those few that have become 'important' suppliers) in the production sector. Consequent lack of participation in the rewards that 'hit' television products can potentially generate has been a very major problem for independent producers in the UK.

The Communications Act 2003 sought to tackle this by improving transparency in deals struck between broadcasters and independent program-makers. This initiative has coincided with a recent trend towards the development of a number of larger sized or 'super indies'. The development of more large firms ought to improve the business performance of the sector. Not only are bigger firms better placed to accumulate status as suppliers and to acquire leverage in their transactions with broadcasters, but they also enjoy advantages to do with being able to spread their risks over a number of program genres and

titles. Risk spreading is important in an industry, such as television, where the success of your product is highly unpredictable (Picard, 2005: 66). One analyst summarizes it thus; 'You need scale ...When you have the financial firepower to put different types of programming together, you have a more diversified spread of business and you can acquire in order to broaden your genre base' (Yau, cited in *Broadcast*, 2008: 15).

But the fact that the UK production sector remains, in general, very fragmented—it is still highly populated by small under-funded firms with low volumes of work—means that full participation in the opportunities associated with a deficit financing approach is likely to remain unavailable to most independent program-makers for some time to come. This contrasts with the situation in the USA where, with historically much fuller participation in both the risks and rewards of program-making, many successful production companies have built up significant financial resources and developed a strong market presence both domestically and internationally.

The development of a mature and an exceptionally well-funded production sector in the US is, of course, a reflection of other aspects of its unique history and circumstances, including the large size and wealth of domestic US television audiences plus the existence, within the US, of very well-developed secondary and tertiary markets which program-makers can sell their wares to (Doyle, 2002: 90-2). UK secondary broadcasting markets are small by comparison and have developed only slowly (Levy, 2008: 210). But, as multi-channel viewing continues to grow, better chances to share ownership of IP now provide at least some basis for optimism and for investment in the production sector by venture capital funds. Be that as it may, and although it is still too early to try and measure the impact of improved terms of trade, there has been no early sign of a significant upsurge in exports stemming from the greater control indies now enjoy over exploitation of their own program rights (Oliver & Ohlbaum, 2006: 19-20).

Lack of involvement in broadcasting or other forms of distribution is another drawback for UK independents. Because of uncertainty and weaker informational flows etc, costs in the television industry involved in inter trade between producers and broadcasters can be and frequently are higher than when both activities are carried out in-house. This accords with theoretical assumptions about the role of firms in reducing transaction costs (Coase, 1937). In practice, the advantages of vertical integration are widely evidenced by, for example, a rapid reversion to vertically integrated structures on the part of the main US broadcasters over the last decade thanks to deregulation which has allowed this (Oliver & Ohlbaum, 2006: 19). Lack of a vertically integrated structure places UK independent producers at a disadvantage and this, along with problems of negotiating weakness, is reflected in the relatively weak financial performance of even the UK's largest indies, as compared with

integrated producer-broadcasters such as Granada (part of ITV), Fremantle Media (owned by RTL) and the BBC (ibid: 9).²

Related to this, as discussed above, a more fragmented industry structure has led to a situation in which many UK producers feel more isolated and lack the proximity advantages conducive to creativity. The emergence of a several larger sized and better resourced production companies over recent years offers hope that, over time, the working environments in which television content is made can provide improved conditions for creativity. That said, a majority of program-making companies in the UK are very small operations where, for example, lack of opportunities to exchange ideas and lack of nurturing environments for the development of new creative talent are real problems.

CONCLUSIONS

A production environment conducive to creativity and entrepreneurialism can be seen as the necessary bedrock for a healthy and vibrant indigenous television economy. However, rather than focusing on the work environments or the business circumstances and behaviors of television producers, UK government policy has historically leaned towards supporting the production sector solely through boosting levels of competition.

The introduction of numerous additional competing suppliers of television content throughout the 1980s and 1990s brought benefits that are widely recognised. But too much fragmentation and rivalry amongst competing suppliers has also proven counter-productive, in some way at least.

Helped by the 2003 Communications Act, the most recent corporate trends have been towards consolidation of ownership within independent television production and a reduction in the number of rival suppliers. Greater ambition and capital backing to build independent businesses horizontally and vertically are promising developments. In 2008, there are currently around 400 independent companies in the UK compared with around 1,000 ten years ago.

Is the current level of competition optimal? In assessing the state of competition in any industry, economists often start by looking at prices charged for products or services relative to marginal production costs (Davies, 2004: 5). The more sellers there are then, theoretically, the lower prices ought to be and the tighter that margins will be. But when competition is excessive, firms will have to struggle and there is a risk of duplication and waste (Geroski, 2006: 26).

² Recent estimates suggest that: '[l]arger independents in the UK have increased their profitability over the last couple of years and attracted venture capital and capital market investment, but EBIT margins are still at about 5 percent on average, far lower than for the likes of Granada and Fremantle [both of whom are owned by broadcasting entities, which achieve margins of 10 percent or more' (Oliver & Ohlbaum, 2006: 9).

Of course, prices and margins are only of limited value as indicators of competition in a product market where offerings are highly differentiated. In television production, diverse outputs may imply additional welfare benefits (Van der Wurff, 2005) as opposed to waste and also competition is more likely to be predicated around unique creative inputs rather than prices. Nonetheless, perhaps the clearest sign that competition within the UK production industry is still at a potentially disadvantageous level for participants is the continuation of perilously thin or non-existent profit margins amongst a majority of independent producers.

Thus, although supportive policy interventions have gone some way towards building an independent television production sector in the UK, it appears there is still much further to go before indies are able to challenge the economic power and predominance within television production of vertically integrated broadcasters. As the industry continues to restructure, success for indies will require more companies to adopt a corporate shape that is conducive both to creativity and to effective exploitation of the inherent economic characteristics of content production.

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