Public Policy, Investment and the Creative Industries: a Framework for Discussion

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Kyiv, 22nd October 2014
Structure of the presentation

Agenda

• Introduction: why does the “creative economy” matter?
• Conceptual and classification issues: culture, media and the creative industries
• The cultural and entertainment industries and the digital revolution
• Supporting the creative industries: main challenges for policy-makers
• Consumer sovereignty in a YouTube world: the challenges for private investors
• Some recent developments in the UK
• Key building blocks for the future – in the Ukraine, or anywhere!
• Concluding remarks
Why does the “creative economy” matter?

- The competitiveness imperative
  - The expanding global market for cultural goods and services
  - Evidence from PWC *Global Media and Entertainment Outlook* reports
  - Intense international pressure to become globally competitive

- The economic development imperative
  - Economic diversification, education, skills and employment
  - The global north/south divide

- The cultural imperative
  - Cultural identity in the age of “blockbusters” and social media
  - Cultural diplomacy and “soft power”
Culture, media and the creative industries

- Two key propositions
  - The worlds of culture, creativity and economics are becoming increasingly intertwined
  - Policy responses to this phenomenon affect national performance
- “Culture” and “entertainment”
- “Mapping” since 1998: the “DCMS 13” and the British Council
- Other models
  - Concentric circles model
  - UNCTAD model
- The challenges of measurement
  - National occupation statistics: the ICT and “digital” classification problem
  - Formal and informal economies
- No common vocabulary: officials, academics and artists!
Impact of the digital revolution on the entertainment industries

Threats and opportunities

• Transformational effect of the “digital shift”
  – On production
  – On marketing and distribution
  – On audiences
  – On art forms
• The myth of the “dis-intermediating” value chain: rise of the new “gatekeepers”
• Fragmentation of markets and audiences
• “piracy” and the audio-visual industries
• Collecting “raindrops” of revenue: licensing fees, royalties and micro-payments
• The UK Digital Copyright Exchange
• Is there a “digital dividend” for the arts/culture sector?
  – Yes, and no! (the Baumol cost effect)
Main challenges for policy-makers

- Machinery of government issues
- The state and the market
- “Mapping”: reliability of available data/information
- Assessing strengths, weaknesses and opportunities
- Levers available to the state
  - Short term
  - Longer term
- Determining priorities
- The global mobility of capital and talent
- The arm’s length principle
- Policy execution and monitoring
Ingenious

Public and private sectors: different
capabilities

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<th>Public sector</th>
<th>Private sector</th>
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<td>• Subsidising national creative assets</td>
<td>Innovation</td>
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<td>• Developing infrastructure</td>
<td>Entrepreneurship</td>
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<td>• Providing creative spaces</td>
<td>Developing new markets</td>
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<td>• Establishing partnerships</td>
<td>Raising investment funds</td>
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<td>• Entrepreneurship</td>
<td>Skills development</td>
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<td>• Engaging with the market</td>
<td>Providing early stage risk capital</td>
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<tr>
<td>• Behaving commercially</td>
<td>Creative risk taking</td>
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The challenges for private investors

• To invest or not to invest?

• Distinguishing between business models
  – Creative content industries (“hits” and “misses”)
  – Creative services industries
  – Media distribution companies

• Broadband and mobile infrastructure

• Internet platforms and aggregators
  – The Google issue

• Market structure and regulation

• Intellectual property and “piracy”

• Shortage of creative business skills
  – Matching business talent and creative talent
Some recent developments in the UK

**A changing ecology of growth**

- Refurbishment of national cultural estate through Lottery funding
- Higher political priority in government
- New tax breaks for high-end TV, animation and games
- *But,* scaling back of public subsidy for arts and culture
- Organisational growth and development
  - Arts Council England [www.artscouncil.org.uk](http://www.artscouncil.org.uk)
  - Creative Industries Council [www.thecreativeindustries.co.uk](http://www.thecreativeindustries.co.uk)
  - Creative Industries Federation [www.creativeindustriesfederation.com](http://www.creativeindustriesfederation.com)
  - Creative England/YCE programme [www.britishcouncil.org/study-work-create/opportunity/funding-creativity/creative-entrepreneur-programme](http://www.britishcouncil.org/study-work-create/opportunity/funding-creativity/creative-entrepreneur-programme)
  - UK Trade and Investment [www.gov.uk/ukti](http://www.gov.uk/ukti)
- Remarkable growth in UK creative sector employment
Key building blocks for the future – in the Ukraine, or anywhere!

Pre-conditions for success

• Improved communications infrastructure for uploading and downloading of content and e-commerce: fixed line broadband and mobile
• A mixed economy of finance and funding models
• A stable structure for public-private partnership and co-operation
• Independent representative structures throughout the wider cultural and creative sectors
• Developed policies for cultural and entrepreneurial education, management and training
• Cross-departmental support within government
• Support from the creative community
• Support of business leaders
Concluding remarks

Challenges for government

• Particular features of the Ukrainian situation
  – Culture and conflict
  – Severe economic challenges and implications for discretionary spending

• The role of government?
  – Unleashing the entrepreneurial and creative potential of the rising generation
  – Crisis, creativity and youth: making spaces
  – Building consensus
  – Exploring ways of maximising the value of national creative assets
  – Building partnerships with the private sector

• Assistance through UNESCO/UNDP/UNCTAD

• EU partnership support/Creative Europe and other programmes

• Private sector leadership is crucial
Appendix 1: the UNCTAD model

Figure 1.3 UNCTAD classification of creative industries

Source: UNCTAD
Appendix 2: the concentric circles model
Appendix 3: employment growth in the UK creative industries, 2011-12
Appendix 4: DCMS expenditure

Departmental Planned Expenditure 2013-14

Departmental Total: £1,393m

- Arts: £390m
- Media: £776m
- Broadband: £153m
- Other Media: £7.2m
- British Film Institute: £23.3m
- S4C: £6.8m
- Others: £83.6m
- Sport: £134m
- Other Sport: £0.8m
- UK Sport: £39.6m
- Sport England: £53.6m
- Science Museum Group: £45.7m
- Museums and Galleries: £412m
- Victoria & Albert Museum: £39.5m
- Natural History Museum: £46.4m
- British Library: £87.1m
- National Museum of Scotland: £116.8m
- Other Museums (incl. use of reserves)

Notes:
- £m figures show total expenditure of which:
  - Solid Colour = Resource Spending
  - Black = Capital

Olympics: £145.7m*
EHRC: £32.5m
GEOs: £21.4m
Equality: £54m
Visit Britain: £30.6m

*Figures are gross expenditure, to be offset by planned capital receipts and budget cover transfer of £201m.
Appendix 5: technology and the creative process

Source: Technology Strategy Board.
Appendix 6: UNESCO model of the culture cycle

Source: UNESCO, 2009
Appendix 7: examples of public sector funding in the UK

- Grants
- Soft loans
- Micro loans
- Seed capital
- Development capital
- Equity
- Quasi equity
- Debt
- Proof of concept funds
- Venture funds
- Co-investment funds
- Match funds