

Dear Sir

I am the independent producer of feature films including *Girl With A Pearl Earring*, *Hilary and Jackie*, Kevin Spacey's *Beyond The Sea* and the recent *Incendiary*, starring Michelle Williams and Ewan McGregor.

I am a member - and former Vice-Chair - of PACT's Film Policy Group and a Council Member of BSAC. I served on the committees which created the new Film Tax Credit, from the first UKFC/DCMS initiative through the Hoon Committee and finally the Film Industry Group which met at the Treasury for a year in 2006.

Through PACT I am continuing to campaign for the benefits of the Tax Credit to accrue to producers, as intended, to further the Government and UK Film Council's stated aim of generating a sustainable British production community.

It is that context that I wish to add my views to the PSB Review of Channel 4's funding.

It is widely accepted that independent film producers generate many of the films which define British cinema. The Bond films and Harry Potters generate fabulous entertainment, employment and revenues from a British base. The inward investment sector is essential in sustaining our studios and ensuring our technicians and actors are world class. But the independent sector delivers memorable and commercially important titles, despite severe financial and structural constraints.

This year, Film4's "*Slumdog Millionaire*" is likely to be a major player on the awards circuit. It will also generate very substantial box office returns, as demonstrated by its opening in the US, where it has already taken more than \$3.5m in two weeks on less than 50 screens. It looks like being this year's Full Monty.

"*Slumdog*" is interesting for many reasons.

The director's career was nurtured by Channel 4. He made his name with *Shallow Grave* and *Trainspotting*, both of which were developed by the Film on Four team.

The writer, Simon Beaufoy, also began at the channel, with *The Full Monty*. Simon has been candid that his collaboration with the Film4 script department was crucial to unlocking the wonderful structure of the *Slumdog* screenplay.

The lead actor, who has just been awarded Best Newcomer at last week's BIFA Awards, came out of Channel 4's *Skins*.

For a relatively modest investment in the film, and as a result of a long term investment in the talent involved, Film4's brand will now enjoy the kind of exposure that only a successful movie can generate as the film sweeps

through cinemas worldwide and, almost certainly, enjoys the spotlight of the Oscars.

Film4 is part of the foundations of the British Film Industry. With a relatively tiny budget it provides the seed money and the creative oversight to enable writers, directors and producers to develop their skills and compete at the very highest levels.

It's worth looking at how the British Film Industry really operates at the independent level. It is often damned as a cottage industry. In truth it is vertically integrated on a national level, with hundreds of under-funded production companies bringing together writers, directors and ideas and struggling to find backing.

At the development stage Film4 and BBC Films compete for those ideas and provide funds for scripts to be written.

A healthy, but very real, competition between Film4 and BBC Films ensures that standards are maintained and out of this comes the pool of potential film projects on which the distribution sectors, and hence the audiences, rely.

The best of those projects then seek production finance in complex deals which involve minority funding from Film4 or BBC Films and partnership funding from international distributors, equity and gap investors and tax incentives.

Whilst, as producers, we would argue that better funding for production companies is essential to provide stability for the sector, *the existing arrangement is undeniably extremely efficient in terms of the scale, diversity and quality of film projects – and British talent - which emerge from the Film4/BBC Films model in relation to the relatively tiny sums involved.*

The entire British industry – including the distribution, DVD, online and retail sectors - would be seriously jeopardised were the current difficulties faced by Channel 4 to impact on Film4's funding.

Commercial ownership of the Channel would be catastrophic. A commercial owner would be likely to strike out the Film4 budget because the massive *leveraged* benefits outlined above accrue to the national audience as a whole, not to the immediate bottom line.

Investing in film requires a commitment to original British talent and programming, with an appreciation of the long term benefits to the country.

A rapid solution to the Channel's funding problem is essential. Without intervention, the simple fact that advertising revenues in the short term can be increased by moving away from a commitment to original British programming means that if budgets continue to fall there is a real danger of the Channel being forced to axe Film4 altogether. That would be short-sighted and almost certainly irreparable.

As the online revolution accelerates over the next few years, the only certainty for film producers is that ownership of rights in films will be essential. The partnership between producers and Film4, at the development and production stages, is crucial to enabling those rights to be retained. From that basis, diverse, original British films can prosper on whatever platforms emerge.

In citing Slumdog Millionaire and The Full Monty, you might accuse me of only looking at the hits. But that would be to deny the truth of the film business. Film4 understand – as does Hollywood – that many projects must be started, and many filmmakers must be nurtured in order that a few massive hits will be generated. That's not an admission of weakness, it's just a commercial fact. Without Film4, the British Film Industry would be in very serious trouble, British audiences would see a massive fall in the scale, diversity and quality of films and our standing on the world stage would suffer enormously. That could not be in the best interest of Public Service.

Please feel free to contact me should I be able to provide any further information.

Sincerely

Andy Paterson