

Industry and Employment Committee
Arts and Recreation Committee
Finance and General Purposes Committee

Report (17.6.83) by

Director of Industry and Employment
Director of Recreation and the Arts

Item	
10	IEC 940
THE CULTURAL INDUSTRIES AND CULTURAL POLICY IN LONDON Programme Ref.: E1	

1 Cultural Industries: What are they?

1.1 The term 'culture' is usually used in a narrow sense to refer to 'the arts'. In this report we are using the term in a wider sense to refer to those social practices which have as their primary purpose the transmission of meaning; those means by which we communicate and share ideas and feelings about the world, ourselves and others.

1.2 It is also customary to think of culture in terms of a world of personal taste, creativity and craft production separate from, indeed in many of its values actively opposed to, the harsh economic world in which other goods and services are produced and bought and sold.

1.3 However, in fact the transmission of meaning our society is increasingly carried by industrially produced technologies such as a telecommunications or broadcasting system, hi fi sets, radios, TV sets or video records; systems which the individual has often to buy or rent at high cost in order to participate in that form of cultural practice.

It is also the case that the cultural products and services, such as newspapers, books, records, video and TV programmes consumed by most people are produced under economic conditions similar to those that reign in other industrial and commercial sectors and are consumed as commodities in competition with other consumption goods and services for people's disposable income.

It is for this reason that we refer in this report to the institutions that dominate the production and transmission of meaning as cultural industries. We include within that definition:

- (a) the production, distribution and retailing of books, magazines and newspapers and other printed material;
- (b) broadcasting;
- (c) the music industry, both live and recorded;
- (d) the film and video and photographic industry;
- (e) advertising;

- (f) the performing arts; and
- (g) sport.

Strictly, the term also covers education and some would also want to include tourism, both of which we have chosen, for the purposes of this report, to exclude.

2 The Cultural Industries: Their Economic Importance for London

2.1 As a result of the work for the Public Hearings on Cable and the London Industrial Strategy the Economic Policy Group has identified the cultural sector as a prime site for possible GLC intervention both because of its intrinsic importance to the London economy and because through the Arts and Recreation budget the GLC is already making a significant intervention which, if it is to produce the maximum long-term benefit in terms of access to cultural opportunities for Londoners, needs to be planned in the light of the economic dynamic of the cultural sector as a whole.

2.2 Because of London's historic role as not only a national, but also an imperial, capital city, the cultural industries are heavily concentrated in London as the hub of both a national and international market. Printing and Publishing is now London's largest manufacturing sector employing in 1978 112,300 with book publishers exporting 34% of their output. Electrical engineering, which provides the infrastructure of cultural transmission is the second largest manufacturing sector with 99,300. Between them these two sectors make up one third of London's manufacturing employment.

A recent EPG study (EC 940) shows that about 50,000 people are employed in London in the broadcasting, film and video industry and that nearly 30% of all UK cinema box-office receipts are taken in Greater London. A further 20,000 are employed in advertising 59% of the UK total.

The Institute of Employment Research at the University of Warwick estimated in their Spring 1982 review of the Economy and Employment that for 1980-1990 the category of Literary, Artistic and Sports would be the fastest growing area of employment increasing nationally by 30% or 132,000.

3 The Structure and Dynamics of the Cultural Sector

3.1 It is also important to stress that the cultural sector needs to be approached for both analysis and intervention as a co-ordinated whole. The reasons for this are:-

- (a) The various cultural industries compete in the same market for labour. Individual film-makers, writers, musicians or electricians may move in their work from films, to television, to live theatre. The electronic engineer may work in manufacturing or in broadcasting operations.

This is reflected in trade union organisation. ACTT organising across film, TV and radio. The NUJ across newspapers, books and magazines, radio and TV. The Musicians' Union's members work in film, radio, TV, records as well as the live arts and so on.

- (b) They compete for the same limited slice of consumers' disposable income. In 1981 in Greater London average household expenditure on cultural activities was £7.70 weekly compared with the UK average of £6.46. Since 1975 total leisure expenditure (of which 50% is spent on alcohol and holidays) has only marginally risen from 21.6% to 22.1% of total consumer spending most of the categories of cultural expenditure are actually falling as a proportion of total leisure spending in the face of a sharp rise in expenditure on holidays.

Moreover there is strong evidence that cultural expenditure is extremely inelastic and that a rise of expenditure on, e.g., broadcasting leads to a decline on, e.g., cinema and print (see Cross-Sectional Analysis of UK Household Expenditure on Information, Communication and Entertainment (1975) by Michael Goldstein).

- (c) They compete for the same limited slice of consumption time. We all only have a limited number of hours in the day or week when we can watch TV, listen to radio, go to the cinema; read newspapers and books, etc. Thus an extra TV channel or the use of video cassette recorders does not expand the total audience but splits it into smaller and smaller fragments. This in its turn reduces the potential income available to each service.

Also as a recent Swedish study has shown the increasing number of cultural goods and services competing for non-expandable consumption time and often increasingly also requiring domestic investment in a new reception technology, e.g., video cassette recorders, has pushed up the real unit cost of consumption. Between 1970 and 1979 time spent listening to music rose 20% while the cost rose 86% with each hour of listening costing 55% more (see Ivar Ivre: Costs, Choices and Freedom in 'Intermedia' September 1981).

- (d) In the case of newspapers, broadcasting and, increasingly, the sponsored arts and sports, they compete for the same limited pool of advertising. Between 1961 and 1980 advertising expenditure remained static at 1.9% of Consumer Expenditure and fell from 1.4 to 1.34% of GNP. Thus in the field of display advertising there has been a marked shift over the last twenty years to TV from the Press.
- (e) The producers of cultural goods and services provide a market for the producers of hardware in both the producer and consumer goods market. Indeed broadcasting services developed as a marketing device for radio sets and cable TV is now being introduced as a means of saving the UK TV set industry.

At the same time the production of cultural goods and services is increasingly determined by the technical hardware for either transmission, e.g., cable and satellite or for use as a reproductive carrier, e.g., the compact disc or video cassettes.

3.2 As a result of this inter-locking structure intervention in one area, whether in the form of training, subsidy, advertising levy or whatever will have consequences elsewhere in the system of cultural production and consumption and these interactions must be taken account of in planning any public intervention.

4 Subsidies and the Cultural Industries

It is crucial to see the publicly subsidized part of the cultural sector in relation to the commercial sector because the effect of public subsidy and the need for it are both in part determined by the economic structure of the industries, i.e., subsidies in general go not to what is judged socially or politically desirable, but to what is uneconomic. That is to say cultural subsidies have been in general a classic example of a 'lame-ducks' policy. One result of this has been to distort the distribution of subsidy on a class basis in favour of the pursuits of the better-off and better-educated. Covent Garden is heavily subsidized, pop concerts and working men's clubs are not.

Furthermore research and development costs in the commercial sector are often in part subsidized out of public funds. Writers earn their basic living out of teaching, thus enabling them to provide books more cheaply for commercial publishers. The same is true of painters and galleries. Similarly musicians, actors and playwrights are often trained and earn their main livelihood in publicly subsidized orchestras, theatres and broadcasting before their work is turned to commercial advantage on a mass market by the cultural industries.

5 The Cultural Industries and Cultural Control

5.1 Control in the cultural industries is exercised via control of distribution, that is to say access to the mass-market. Here typically we find high levels of capitalisation together with modes of industrial organisation and labour control familiar from other industrial sectors, e.g., broadcasting companies, based upon a privileged access to transmission, cinema chains, record pressing, printing capacity, wholesale and retail print distribution.

Around these centres of financial power is arranged a subordinate structure of companies and individuals, often working on a craft basis and for fees rather than wages, without security of employment, pension rights, etc., upon whom can be placed the risks inherent in a volatile and unpredictable market. The relationship between Channel 4 and the so-called independent film sector is a classic example of this.

5.2 Access to the mass-market depends upon controlling not just a capital intensive technology, but the ability to spread the inherently high risks of the cultural market by assembling a repertoire of products and supporting this repertoire by high marketing expenditure, which itself acts as a barrier to market entry. For instance the advertising budget for a major international film is now typically as high or higher than the production budget. As a result in the record industry one in 9 singles and one in 16 LPs make a profit and 3% of output can account for up to 50% of turnover. Similarly in film the top ten films out of 119 in the US market in 1979 took 22% of the box-office receipts and the top forty films 80%.

5.3 The need to control a repertoire in a high risk market is allied to the other key economic characteristic of cultural commodities both nationally and increasingly internationally. Because cultural artifacts are not destroyed as they are consumed and because initial production costs (what in the newspaper industry are referred to as 'first copy costs') are high, while subsequent reproduction costs are very low, there are enormous returns to scale and thus a constant push to maximize audience. As a result in film seven firms control 90% of the US domestic market and 70% of the world market. In records five firms control 67% of the world market. In the UK newspaper industry three groups control 74% of daily circulation.

Moreover increasingly it is the same firms that dominate in all sectors. For instance Thorn-EMI, a major London employer, holds stakes in the film, broadcasting, and record industries.

6 Advertising

Another key characteristic of the cultural sector is that a significant proportion of the goods and services are not sold directly to consumers, but are used as bait to attract an audience which can be sold to advertisers.

While people are properly concerned by the corrupting effect of advertising content and its manipulative powers we are concerned here with the structural effects of advertising upon cultural provision.

Advertising can be seen as a rival form of subsidy to that derived from the public purse and it is one which operates in highly inegalitarian ways. Put briefly advertisers are more interested in rich consumers than poor consumers with the result that the quality press receives more advertising per reader than the popular press. Similarly in the field of women's magazines; these have been pushed increasingly to cater for a middle-class market by the needs of media buyers. Thus the predominantly working-class Women's Weekly obtained in 1976 and 5p per copy in advertising revenue, compared with the 92p per copy obtained by the up-market Harpers and Queen. In 1978 Labour Weekly obtained 4p per copy compared with £2.46 per copy for Vogue in 1979 and 57p for Investors Chronicle in 1976. These trends are spreading through the growth of sponsorship to the fields of the Arts and Sport. Business sponsorship has grown from £19 million in 1973 to £50 million 1981.

7 A Threat to Local and National Culture

Thus the economic structure and dynamics of the cultural industries produces specific inequalities and distortions in cultural provision, but if current economic trends are allowed to continue unchecked not only will jobs in cultural production be threatened in the UK and especially in London, but also the very possibility of participating in the production and consumption of a national or local culture. We must be clear about what is at stake here. It is not a question of deciding for others, for instance, what TV programme they should watch. In fact evidence shows that, given the opportunity to choose between similar programmes UK viewers in general prefer UK productions. But because of the large size of the US domestic market, it is possible for producers of US material to dump their product on the UK market. As the recent Government White Paper on Cable puts it "For ITV the average cost per hour of transmission (excluding advertising) in 1981 was just under £40,000 averaging out original production, repeats and bought-in material. In 1981/82 the BBC's operating expenditure for its two television channels was about £30,000 an hour. Channel 4 is operating on a tighter budget and is spending around £25,000 an hour. An hour of original material can range from around £20,000 for a current affairs programme to £200,000 for drama (or even more in the case of prestige projects). Bought-in material from the USA, where the production costs have already been largely if not wholly recovered on the domestic market can be obtained by broadcasters for as little as £2,000 an hour."

As a result in the future it will not be a question of UK viewers choosing between Dallas and Boys from the Black Stuff. No programme providers will be able to afford, in a competitive international market, to offer them Boys from the Black Stuff.

8 A Conference on the Cultural Industries and Cultural Policy

8.1 In the light of the considerations outlined above it is proposed that I and E and Arts and Recreation jointly sponsor a GLC conference, for 500 people, to be held on December 12 and 13 on The Cultural Industries and Cultural Policy in London at Riverside Studios, and that detailed preparatory work for that conference be put in train immediately. This would include undertaking research and preparing reports for discussion and debate at the Conference and as a basis for GLC policy formulation.

It is also felt to be important that this Conference should mix analysis with practice and that it takes place within a context of concrete contemporary cultural work and examples of activities at present funded by the GLC. It is therefore proposed that a venue be found which is suitable for the mounting of theatrical and musical performance and with room for the display of work in print, photography, film and video.

This work should be carried out in consultation with and draw upon the unions representing workers in the cultural sector, the relevant firms and trade organisations, existing funding bodies such as GLAA, the Arts Council and the BFI. There should also be close collaboration in the London Boroughs.

The aim of the Conference would be to involve the widest range of interested parties in the analysis of the problems raised by the industrialisation of cultural production and consumption and in formulating appropriate policy responses.

8.2 It is proposed that the I and E Committee will take responsibility for research in the following areas:

- (a) the newspaper printing and publishing industry in London, its structure, current trends and the impact of free sheets and new technologies;
- (b) the magazine publishing industry;
- (c) the book publishing industry;
- (d) the wholesaling and retailing of books, magazines and newspapers;
- (e) the music industry - the production, pressing, distribution of records and cassettes and the relation of the music industry with live musical performance and broadcasting;
- (f) the advertising industry and its role in financing cultural production;
- (g) film and video distribution and exhibition (in conjunction with the Arts and Recreation Committee);
- (h) the international context of London's cultural industries - import and export trade and their likely impact.

As much as possible this work will be done in-house and some of the current round of appointments to EPG will be made in that light. However, owing to specialist expertise required, it may be necessary to use some consultancies.

The consultants will be approved within the terms of the authority given in IEC 827 (I & E Committee External Assistance 1983-4). The Staff Side will be notified and their views sought accordingly.

8.3 It is proposed that Recreation and the Arts Committee might be asked to take responsibility for research in the following areas within the terms of reference of their committee:

- (a) the performing arts;
- (b) the visual arts;
- (c) the sources and recipients of public subsidy and commercial sponsorship in London;
- (d) sport and its relationship to the mass-media and commercial sponsorship;
- (e) a survey of the structure of cultural consumption in London.

This will be the subject of a further report by the Director of Recreation and the Arts.

8.4 An example of some of the potential policy problems to which this work will address itself are:

- (a) if a major national newspaper were to fold with major job losses should the GLC intervene? And if so, in what form.
- (b) there is at present under capacity, leading to importing, in the UK record pressing industry which is heavily concentrated in London. Could an intervention be made here linked to the support of independent record labels and an alternative music culture?
- (c) cinema audiences have now fallen to a level at which live cinema is in danger of total collapse, leaving a network of purpose-built buildings all over London. Already the GLC is being approached to take over redundant cinemas. What is the scale of this problem likely to be and what should be the GLC's response?
- (d) how best can the GLC foster secure and expanding employment in the cultural sector?
- (e) how can economic levers be used to ensure a more equal distribution of cultural resources?
- (f) what can be done to combat the growing influence of advertising in the cultural sector?

9 Finance

Research - I and E Committee
- up to £10,000 for consultancies

Conference Costs - shared equally between I and E Committee and the Arts and Recreation Committee:

	£
- hire of hall for two days plus evening theatrical performance	2,000
- subsidy towards cost of lunch	1,000
- speakers' travel expenses and subsistence	500
- tea and coffee	750
- printing of tickets, programmes and conference papers	1,000
- production of transcript	1,000
- distribution of invitations, tickets and conference report	300
- publication of conference report	1,000
- publicity	500
- miscellaneous items	500
	<u>8,550</u>

The expenditure of £10,000 on the I & E research consultancies can be met from the specific provision of £100,000 already approved for the employment of external advice on urgent. Industry and Employment projects where specialist skills are required and are not otherwise available in the Council (IEC 827). A further report is to be submitted on the Arts and Recreation research projects.

Specific provision for the conference costs was not made in either the Industry and Employment or Arts and Recreation revenue budgets for 1983-84. The expenditure of £8,550 falling in 1983-84 for which provision is now required may be met as follows:

- (a) £4,275 from the uncommitted balance of the £410,000 provision for Popular Planning on the Industry and Employment revenue reserve for new developments;
- (b) £4,275 from the underspending identified in the provision for purchase of plant in the base revenue estimates for the Arts and Recreation Al Recreation programme.

10 Consideration for Women and Ethnic Minorities

Both the Women's Committee and the Ethnic Minorities Committee are concerned about access to employment in the cultural industries and the development of appropriate training policies. They are also concerned with the nature of the products produced by the cultural industries and their suitability for different audiences. The ways in which the economic structure of the cultural industries contribute to these discriminations and possible ways of redressing these imbalances would be one of the concerns of both research and the Conference. Both Committees will also be involved in the organisation of the presentation of cultural work at the Conference.

RECOMMENDATIONS -

To the Industry and Employment, Arts and Recreation and Finance and General Purposes Committees

- 1 That approval be given to the holding of a 2 day conference on the Cultural Industries in London for 500 people at Riverside at an estimated cost in 1983/84 of £8,550.

To the Industry and Employment and Finance and General Purposes Committees

- 2 That approval be given to a drawing (no. 552E) of £4,275 on the 1983/84 Industry and Employment revenue reserve for new developments in respect of the costs of the conference.
- 3 That approval be given to the carrying out of a research programme in connection with the conference as outlined in para 8.2 of the report, at an estimated cost in 1983/84 of £10,000.

To the Arts and Recreation and Finance and General Purposes Committees

- 4 That a further report be submitted on the research programme set out in paragraph 8.3 of the report.