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Witnesses: Ann Branch, Agnieszka Moody and Yvette Vaughan Jones

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Members present

Baroness Young of Hornsey (Chairman)
Viscount Bridgeman
Earl of Courtown
Lord Foulkes of Cumnock
Baroness Henig
Baroness Prosser
Baroness Scott of Needham Market

Examination of Witnesses

Ann Branch, European Commission, DG Education and Culture; **Agnieszka Moody**, Director, MEDIA Desk UK; and **Yvette Vaughan Jones**, Executive Director, Visiting Arts

Q28 The Chairman: Good morning everyone. Thank you for coming along today to give evidence to what is not actually a full-blown inquiry into Creative Europe but what we call “enhanced scrutiny”. That means that it is a relatively short piece of work at the moment. As a result of what we find from the witnesses that come along and the written submissions, we will be writing to the Minister with our response to the proposals for Creative Europe.

I have just a couple of housekeeping notes before we start. Members’ Interests are recorded in the Register of Lords’ Interests, and the list of declared interests is on the witness table. The session is on the record, is being webcast live and will be subsequently accessible via the parliamentary website. You will receive a copy of the transcript of the session to check and correct, and this will be put on the record on the parliamentary website.

If you could, please begin by stating, for the record, your name and your official title. If you want to, you can make a brief opening statement, but you do not have to; that is entirely up to you.

Yvette Vaughan Jones: My name is Yvette Vaughan Jones. I am the executive director of Visiting Arts which is the cultural contact point for the EU in the UK. We welcome the opportunity to talk about the good stories of culture that is being supported by the EU.

Ann Branch: My name is Ann Branch. My function is head of unit of the Culture programme and actions unit in the European Commission's DG Education and Culture. I am very happy to be here on behalf of the European Commission to answer your questions on Creative Europe, which we think is an important programme for really enhancing jobs and growth in the cultural and creative sectors in the coming years.

Agnieszka Moody: My name is Agnieszka Moody. I am the director of MEDIA Desk UK, based at and co-funded by the British Film Institute. It is the information office for the MEDIA programme, which looks after the audio-visual industry. I have been in this post for over 10 years now, so this is the second time that I have observed or contributed to the negotiations on the generation of new support. I am grateful for this opportunity.

Q29 The Chairman: Thank you very much indeed. I am going to start by asking what can sometimes be a bit of a vexed question, about added value. Feel free to participate as you will. Do you believe that the EU has added, and can continue to add, value to the UK's cultural and creative sectors?

Agnieszka Moody: Obviously, in absolute financial terms, there is extra money flowing in, which is not the money from this Government's budget or any resources at home but coming from the European Union. I can speak for the MEDIA programme, to say that in the current generation of just over five years €36.5 million has been directly paid to British companies, with a further €30 million supporting UK films that travel across the continent with that same support from Brussels. What is important in terms of added value is that the money is given to the companies for slightly different reasons than it would be at home. When producers, distributors and cinema exhibitors come to us, they all have to put an international hat on. They always have to think about the benefits from operating in the European market, to reap benefits beyond their domestic market. So if producers come to us for support, they will be presenting projects that they hope will actually be exploited not

only in the UK but further beyond, in other European countries and so forth. That is one aspect. We are thinking beyond the confines of a rather small domestic market.

The second element of added value would be transnational distribution. MEDIA will always help to shift a cultural or audio-visual product across borders. We have a problem with that across Europe. The moment that cultural products that are quite successful at home, including film, cross the border they really need support. We are not that good at consuming our neighbours' cultural fare. This is where the MEDIA programme comes in, and also the cultural programme, to help so that we open up other countries' product to other people in each country.

Finally—this is a little bit more technical—for the MEDIA programme's added value in particular there is a lot of public support in every member state for the audio-visual and film industries. However, a lot of that concentrates on the production phase, on producers making more films. That, if you like, is the middle of the process. There is a lot of work that needs to be done before we are ready to make films. A lot of work is needed after the production is completed to distribute them widely, to promote them and to help them exist in the market. Those two extremes of the value chain are less catered for at home, across the Member States. That is where the MEDIA programme complements what is available in every participating country. We do not put money into production at all. We help audio-visual product before production and after, which is exactly where there is less support at member state level.

Yvette Vaughan Jones: I am not going to talk very much about the economic impact at this stage because we will talk about that later. Clearly, however, the amount of money going into the programme increases employment and the leverage of the money elsewhere. That is extremely important added value. I will concentrate my remarks at this stage on the impact on this sector of transnational working. In order to receive grants from the EU, most of the

projects have to have at least three or four European partners. This kind of transnational working is extremely important not only for the inspiration that cross-border artists can bring to the artists in the UK, but also for the cultural offer to the audiences of the UK. Agnieszka Moody pointed to the fact that we are not traditionally very good at understanding our neighbours.

However, much more important is the capacity building in the sector. In order to work transnationally, as you can imagine, a lot of work needs to be done on cultural understanding, logistics and very complex and sophisticated, multi-layered budgeting and accountability. So we are building the capacity of the UK sector. This is unique in funding in the UK, and it is the kind of funding that is very difficult for national Governments to provide because it is very much about sharing and international work. In the UK, money for international work has been very much on the decline. It is not easy to get. As budgets get smaller, people tend to focus on domestic and local work.

Ann Branch: I can only agree with what my colleagues have said. I do not want to repeat everything, but with the programmes we are designing with Creative Europe the idea is to focus only on areas where there is a European added value; there is a section on that. The transnational aspect is incredibly important. These are areas that are not covered by national funding. They include, for example, helping the transnational mobility of artists and cultural professionals, the transnational circulation of cultural and audio-visual works and international peer learning and capacity building. Tremendous accelerated learning can take place through collaborating across borders with peers from other countries.

The Chairman: Thank you for that. We will follow it up in a slightly different format later.

Q30 Baroness Henig: Building on part of what we have already heard, can you tell us more about the proportion of funds that United Kingdom organisations receive, including

leverage funding and existing programmes? What kind of economic benefit does the funding provide, particularly in terms of helping to generate growth and create jobs?

Agnieszka Moody: I feel quite comfortable answering that question. In the mix of cultural and creative industries, film and audio-visual are quite serious about the business side of their activities. Film is a strange creature in that it is both commercial and cultural. That is a debate that has been going on in different fora for a long time, but it is both. The companies that we help are doing their very best to run their businesses effectively. The vast majority of them are micro or SMEs, undercapitalised and under-resourced. They need help. The MEDIA programme support definitely contributes to that. To have one headline figure, it has been worked out at the Commission that every €1 of support generates €6 from other sources. That is the final, neat result of putting a few sums together. It comes down to intensity of support. Our most intense grant could be up to 50% of a project, no more. So there is definitely at least another 50% coming primarily from the private sector or from public sources available in Member States. I like to use the example of specific aid for cinemas. We help cinemas across Europe. There are several hundred of them, nearly 1,000, which, in return for a subsidy—usually very small grants that are a small proportion of their operation—programme significantly more European films than multiplexes at the edge of town. There, intensity of aid is 1:14. Very little money goes a very long way. Altogether, it is 1:6. In different operators there will be different ratios, but it is quite effective. Removing that €1 would have quite serious effects on other sources of finance.

Yvette Vaughan Jones: The European Council's conclusions on the contribution of culture to the implementation of the Europe 2020 strategy pointed out that employment in the cultural sector grew at three times the average of other sectors across the EU in the past decade. Investment in the sector will have a high proportion of jobs created. The Culture programme itself contributes €400 million over the period, which is roughly €50 million per

year. The UK averages €4 million to €5 million as its share, which is a good share. We have performed rather well in what we get, with a 35% to 48% success rate, which compares well with the average of 27% across the EU.

However, you are really asking about employment and economic impacts. We have done a survey of the UK beneficiaries and calculate that there is an increase of 58 employment weeks per project. For every project that is funded by the EU, it guarantees a full year's salary plus. That does not take into account the economic impact of the work itself, which may be toured or sold. Literary translation increases markets. We, too, have a multiplier effect; it is not quite as big as the MEDIA programme, but it is 1:4. For every €1 that comes in, it levers €4.

European funding itself finances 50% of the projects, or up to 60% for cultural festivals. That levers in money from other sectors. A number of the projects are about culture in health, education and the environment, so we are bringing in money from outwith the cultural sector. We are also bringing in money from overseas, which is useful. There are a lot of economic impact assessments that show the impact of programmes such as Lumiere in Durham, which had 150,000 people come to see it in a city of something like 30,000. The impact on hotels rooms, ancillary services and restaurants is enormous. There is also good evidence of a supply chain. When work is created in a locality, there is increased spend on—if you are set building, for example—timber yards and local suppliers. That contributes greatly to local economic development.

Many of the programmes are aimed at inner-city disadvantaged youth. There is a cost benefit where there is diversionary activity that will counteract anti-social behaviour. So there is an economic impact at the very local level, too.

Q31 The Chairman: Related to that, you talk of growth in jobs and in the sector in general. What about the sustainability of those jobs? Obviously, by its very nature, the sector

is kind of temporary. People might have a succession of temporary jobs. Is there any way of making an argument for the sustainability of those jobs? You talk about the growth of the sector, which is what has been happening. What is the prediction for growth in the sector, or the different sectors, over the next five-year period or so? Is it set to grow at the same rate? I do not wish to pile too many questions on. Some of these you may not be able to answer today, and you can write in to us. How even is that growth across the EU, if you have any sense of that? Will it be growing higher in some Member States than others? I am sorry if this is a big bundle of questions, but I am interested to know. We have to consider this in the context of the budget allocations for the next five or so years.

Agnieszka Moody: I will come back on sustainability. This is our turn to say that we have also had a survey done. It is a good time to carry out surveys because it is good to cross-check certain assumptions that we might make—those we think that the programme should be delivering—against reality. It is a very fresh report. It is not presentable yet, but I would be grateful for the opportunity to forward it to the Committee at a later date. We have surveyed companies across the UK, all the beneficiaries of the MEDIA programme across the past decade, so it is quite a good reading for sustainability. Just over 400 companies were asked because there were supported. We received 199 responses, which is a very encouraging rate of response. Of those companies which had had MEDIA money more than once, 93 said that the programme has been effective or very effective in contributing to the sustainability of their business. Of certain categories of funded companies, the recurring rate of coming back for grants was 48%. For some people working in the audio-visual business, it is definitely part of their business model. They have committed to these more challenging areas of the market, such as foreign language films. But they rely a great deal on the European subsidy for that. The whole network of independent cinemas that I mentioned before undertakes to programme more specialist films, such as foreign language films coming

from different European countries. They get MEDIA money every year. That is part of their business, and that definitely contributes to their sustainability.

Similarly, for some distributors, part of the package is that they have found a niche in the market and will be leading on what we call specialist film. These are not blockbuster titles that make a lot of money, but there is still room in the market for them. I like to cite the example of Artificial Eye, which is definitely a market leader. If you add up all the grants it has had since 2007, it comes down to €2 million. That would definitely make a big dent in a company's operation, and thus it contributes to the sustainability of the business.

Yvette Vaughan Jones: I will mention three things. The survey that we have done looked at what happens after the programme and projects that they have been involved in. The three areas are, first, the increase in the ability to penetrate new markets. These relationships open up a whole series of further relationships. Artists and cultural organisations become more familiar with different markets. They may also have more commissions to do more work, and more opportunities to work in fields like education and workshops. They are also increasing their sales. Thirdly, the capacity-building element that I spoke of really makes you work in a much more entrepreneurial way, seeing opportunities, forging new partnerships and working in a multilateral way. Those skills are very transferable. The programme helps organisations become more sustainable by increasing their ability to work entrepreneurially.

Ann Branch: I have two elements of response, one on the sustainability of projects, and the other on the sector more broadly, which I also understood you to be interested in. Obviously I agree with what my colleagues have said on the projects. I reinforce that by saying that one of the added values of international co-operation is the sustainability aspect to these organisations whereby they become more professional through working internationally. They establish longer-term collaborations which may go beyond the period of grant funding that they have. They may apply for other grants, but often they continue

collaborating even without them. It presents them with new professional and market opportunities. Definitely at the level of projects, we see that the funding helps these organisations to achieve sustainability.

On the general sustainability of the sectors, our intention with the programme is of course to try to put in place some of the right enablers to help these sectors. We have seen that they have been very strong sectors of growth in recent years with higher than average growth rates in many countries. We also think that they are sectors for the future. Of course, there are many causal factors that can impact on these sectors in addition to what will be quite a small funding programme in absolute terms. There are regulatory issues and things like that, many issues at national level and national policy choices which are beyond our control.

In response to your question about variation between countries, yes of course there are differences between countries and that is partly because of national policies and national funding choices. However, our impression is that there is a growing awareness across the board of these sectors for jobs and growth, even in countries where they are perhaps not as advanced as the UK in this area, and a growing recognition of their importance.

Q32 Baroness Scott of Needham Market: I am still struggling a bit with this “added value” question. The case for the creative industries is made, particularly in this country, in terms of generation of jobs and that sort of less tangible sense of being something that we are good at, which is something that we in Britain are very proud of. But it seems odd to me that decisions get made to spend taxpayers’ money subsidising some things at a European level, as opposed to it being done at member state level. For example, to take the case of film with the preparation and post-production, one wonders why that is not done at Member State level if it is so self-evidently valuable. I am still struggling to understand why some decisions are made at Member State level and some at EU level. Particularly with

regard to that, there are clearly huge differences between Member States in how advanced and profitable these different sectors are. Is this programme about attempting to level the playing field—in which case the UK would have something to be afraid of, because it is not in our interests for that to happen—or is it something different?

Agnieszka Moody: It is much more about the benefit of the Single Market. We all work in small compartments, at least in the audio-visual industry. Film is an international business, so closing yourself into small, domestic markets is not to our advantage. We should be thinking beyond borders. We should be thinking about co-producing with one another. We should be thinking about distribution opportunities in terms of exports for domestic product.

Baroness Scott of Needham Market: When you say “we should”, are you saying that because it is financially beneficial?

Agnieszka Moody: Absolutely.

Baroness Scott of Needham Market: In that case, why does it not just happen? Why does the market not do it?

Agnieszka Moody: Because the intervention is most effective on a European level. Everybody is told that they have to put attention into shifting product across borders. This point may be made more weakly everywhere at a national level, but if it is a joint action that we will all try to shift it more vigorously, then there is European value to it. For example, in the area of training, we need skills. To be competitive, we need to have a professional, skilled workforce. We would be very proud of how we train our audio-visual professionals in the UK. There is a lot of expertise here, and we do it well. Why do we need money for training from Europe? Because if we send our professionals on a MEDIA-funded training course, not only will they get knowledge, as they do, but they will also be mixed with their peers from other countries. There is a networking value to this. They will get an insight into how other markets operate. That is not necessarily a priority for our training agencies here,

and nor should it be. There is a different aspect to it. It could be turned into a benefit both ways: we are supporting those industries at home for a certain set of priorities, and enhancing a set of priorities that work for all of us.

The Chairman: We have spent some time on these first couple of questions, so we are running a little behind. Please do not apologise, because it was an important question. After all, we really have to dig into this and see what case is being made. If colleagues spot that part of their question has already been asked, please feel free not to re-ask it. If I could ask the witnesses to have quite succinct responses so that we can cover all the ground, if anything occurs to you afterwards that you were not able to say, please feel free to write later; we would welcome that.

Q33 Baroness Prosser: We have sort of been alluding to this, but you have told a very heartening story thus far of economic success and, interestingly, the things that are learnt by the greater mix of people, cultures, et cetera. As well as the economic benefit, what about the social and cultural benefits that we may get from being part of the wider European Union family?

Yvette Vaughan Jones: The Culture programme has as one of its key criteria the importance of enhancing intercultural dialogue and European citizenship. In the UK, the arts and cultural organisations have translated this into a very specific approach, which is to work in a socio-economic way, particularly in inner cities. I can give you quick examples of a number of projects. Brouhaha in Liverpool is just in phase 2 of its projects. Do not forget, going back to Lady Scott's point, you only get the money if you have three or four partners across Europe; that is why it has added value. At this stage, an audience of 10,000 has attended the performance work and 222 young, local and international performers worked together with 11 international artists. This sort of experience for young people cannot be had elsewhere. The target groups for direct beneficiaries were the low-income

neighbourhoods in Liverpool, the black and racial minorities, refugees and asylum seekers, and social housing organisations. The targets for those target groups were met and exceeded. Projects which have at their heart the need to be intercultural have taken a very specific approach in the UK which has enormous cultural and social impacts. There are also projects that are specifically to do with disability, inclusion and health. Other examples include the Bristol COAST project, which looks at migration, and creativity and culture education in Newcastle, which looks specifically at working in primary schools with a particular focus in disadvantaged areas. The interpretation of the Culture programme in the UK very much looks at social benefits.

Q34 Lord Foulkes of Cumnock: Are the projects that you just mentioned the ones that get the money sent directly? Do they get euros sent to them? Cheques?

Yvette Vaughan Jones: Yes, but do not forget that it is part of a consortium, so they need to work with their other cultural partners across the UK. But these are the lead partners, yes.

Q35 Lord Foulkes of Cumnock: I am a bit down to earth. I am not like Lady Scott and all these artistic types. Give me a few more examples of who gets the money sent to them. What would be the effect if they did not get it from Europe?

Yvette Vaughan Jones: Well, there is a very broad range of organisations. I could mention a number of arts organisations, from mainstream ones like the Tate and Liverpool Biennial, to very small organisations and local groups like SeaChange in Norwich and Acta in Bristol. It is a wide range. Higher education institutions also get money.

Lord Foulkes of Cumnock: I saw that Napier University in Edinburgh was one of them.

Yvette Vaughan Jones: Wales and Scotland do particularly well out of this programme because they are very well networked in Europe. So the range and approach are very broad.

Q36 Lord Foulkes of Cumnock: If they lost it, would they have to stop some of their programmes?

Yvette Vaughan Jones: There is a very different answer from my sector and from the MEDIA sector, so I want Agnieszka to answer that question. The loss to the cultural sector would be enormous in terms of its inspiration from Europe, its ability to network and its ability to involve young people. There would be a very strong lack of skills development through this specific and interesting way of working which is transferable to other sectors.

Q37 Lord Foulkes of Cumnock: Is it different in the media sector?

Agnieszka Moody: In film, it is more acute. The Members of the Committee need to be aware that we have one extremely powerful, wealthy, well resourced and well organised competitor in film, which is called Hollywood. With its power being above European creative outputs, we are struggling and fighting for, at best, 30% of the market. Removing support would mean that we no longer have a right to tell our own stories at all, but would be increasingly consuming what is conceived and created by our colleagues on the other side of the Atlantic.

It is quite an acute issue for the film industry, and it has been like this from inception. The studios have been powerful throughout the history of cinema. There were some cases in the 1920 and 1960s against the monopoly of the studios in this country. So it is also a way of strengthening our own industry and creativity. There is an illuminating report by the UK Film Council, now the BFI, *Stories we tell ourselves*, which absolutely makes a strong case for the cultural impact of film on our identity and citizenship.

There is no time to talk about film in schools. Film is a very useful educational tool for developing the younger generation, which is now gaining more and more persuasion within the education sector. We teach our young drama, we teach them other art forms, and film should be getting there. It is mature enough.

Lord Foulkes of Cumnock: Thank you. You have made it seem much more real now. That is very helpful.

Agnieszka Moody: It is real. The digital shift does not help. Everybody looked at the digital revolution thinking, “Right, it is our turn now. There will be space for us because there will be more space for everybody”. But that is exactly what the studios thought, too. They are definitely well equipped to take the benefits of the digital revolution as well.

Ann Branch: I will complement that with a couple of statistics on the MEDIA side: 50% of European films released outside their national territories cross borders thanks to MEDIA. A lot of distribution companies would probably go bust without it. From 1989 to 2009, over a 20-year period, the proportion of European film among all first-time releases in European cinemas rose from 36% to 54% thanks to the MEDIA programme. Without it, that would not have happened. In the same period, the share of US films fell from 47% to 44% despite a high increase in marketing spending. Those are useful statistics.

Q38 Earl of Courtown: The Minister last week told us that the Government were opposed to the proposed increase in funding for Creative Europe, which obviously must concern you. If the increase is agreed, would United Kingdom organisations stand to gain significant additional funds as well?

Yvette Vaughan Jones: Our evidence is that we do rather well in applications, better than the EU average. I do not see that that is going to change. As we said earlier, the ratio of leverage is 1:4, so it must be good news for the jobs, employment and the economy of the UK, with more money coming into this sector.

Q39 Earl of Courtown: But if it is set at the same level, as opposed to getting an increase, is it going to be a disaster for you?

Yvette Vaughan Jones: It will. We will not be able to trade so well.

Earl of Courtown: But you are succeeding at doing it quite well at the moment, from what you are saying.

Agnieszka Moody: But there are still a great number of high-quality projects that end up below the thick line because there were insufficient funds. My favourite example is Stephen Moody, a very respected film producer, who is now making another adaptation of “Great Expectations” which will export well out of this country. That was a MEDIA-supported project in the early stages of development, but it had to sit for several months on the reserve list because it was just about good enough. If that is not enough, it just means that there is not enough money. Or, for example, we have those 50 cinemas that programme European films, but we could have 150 if there were more resources made available. Is it disastrous that we have 50? I think so. Especially if we go outside London, the availability of films other than those produced by Hollywood studios is very limited, so that support is really needed quite desperately.

Q40 The Chairman: Would that be prioritised, do you think?

Agnieszka Moody: That is a question. Altogether in the MEDIA programme, I think that what is going across to the new generation is that the focus is on distribution and exhibition. The Europa Cinemas supported network of cinemas is a great success story with a big potential, which has recently been boosted by MEDIA Mundus money. So we now have Europa Cinemas in Jordan and places like that. There is definitely potential for growth there.

Ann Branch: I add that, as we have proposed this financial facility for the small and medium-sized enterprises in the cultural and creative sectors, we estimate that there is a funding gap of something like €2.8 billion to €4.8 billion. In other words, if we were able to fill part of that gap—we estimate that if we were to make an investment of €211 million—the leverage mechanism could leverage €1 billion of private lending. It would not fill the entire gap, but you can just imagine how many opportunities for jobs and growth are being missed out on,

plus the cultural benefits of what those organisations would be producing. We think that, although a great deal has been achieved, that funding gap demonstrates that we could do even more. We need to find growth sectors at a time of crisis. These are sectors for the future, with sustainable jobs, many of which cannot be relocated by their nature. We should be more ambitious and we could achieve a great deal more.

Q41 Baroness Scott of Needham Market: I was wondering, because we have not got time to go into it now, whether you might be able to send figures if you have them on the overall level of support for these sectors. We are talking about support coming from the EU, but most Member States have local programmes. For example, here, there is tax relief, which is pretty significant, and it was announced yesterday that it is to be expanded to high-end television programmes, “Wallace and Gromit” and so on. All I am getting at is that what one might call subsidies or grants from the EU are certainly not the whole picture. It might be quite useful to know what the whole picture is.

Ann Branch: I can give one quick example to give an idea of scale. Under the Culture programme at the moment, our annual budget is roughly the equivalent of the operating costs of one national opera house, but that money helps us to reach over 1,000 organisations each year. That is another type of leverage effect. Even if it is a small amount of money, it can go a long way.

Q42 Viscount Bridgeman: You have given us a very impressive account of the MEDIA activities. I was particularly impressed by the multiplier figures that you cited. These are fairly standard questions when any sort of amalgamation is proposed; we are talking about the combination of the culture and MEDIA programmes into Creative Europe. For instance, does the new proposal structure represent a significant improvement to the operation of the current programmes? Have the right objectives been set for the culture and MEDIA strands?

Yvette Vaughan Jones: We welcome the new approach with Creative Europe. Combining the two programmes will not take away the autonomy of the two ways of working. They are very different supply chains. There is some synergy with the overlap, particularly in new technologies. It can certainly have some cost savings in administration, delivery and marketing. That must be a good thing. We are looking forward very much to exploring the synergies in the content. Policy-makers should be ahead of the curve, and that is a way of saying that we are looking ahead to those synergies. In terms of the objectives, we all swim in the same sea. We are very aware of the economic realities going forward and the Europe 2020 agenda. There is no problem at all in looking at how we can focus the programme to create a more sustainable, effective and efficient sector. We are looking at smart, sustainable and inclusive growth. The sector as a whole is pretty supportive of the way that this is moving.

Agnieszka Moody: On the new objectives for the MEDIA programme going forward, it is not set to change dramatically because it has been delivering well for the audio-visual sector. The one significant improvement is the greater focus on audience development. For 20 years, we were feeding the industry supply side of things. For the new programme, the new focus is to look more significantly at the demand side, growing audiences and educational activities that will help develop a taste for European and domestic film early on among young people and then throughout their lives as citizens. That is a very exciting development for the MEDIA programme, that it is going our further into the community.

Q43 The Chairman: We have got the Commission's view on this, obviously, but is there anything you quickly wanted to add?

Ann Branch: Of course I support our proposal. To our knowledge, we have had no one disagree with the problems that we have identified that need resolving through this programme. There is virtually no opposition, as far as we can see, to the idea of merging

these programmes together within this framework structure so that they keep their autonomy to respect the different value chains. From what we can see, there seems to be broad overall support for the aims at this stage.

Yvette Vaughan Jones: Briefly, I did not mention that the new programme for the cultural sector is slightly different. It is very much more focused on capacity building. We think that that is a useful move.

Q44 The Chairman: The Minister told us last week that the Government are opposed to the proposed financial guarantee facility. We wondered what you thought about that. Is there much support for such a facility among the other stakeholders?

Yvette Vaughan Jones: There are surveys; there is one coming out called “Banking on culture” for the cultural sector, which reports that it is true that small cultural businesses find it very difficult to get access to finance. The guarantee facility, we feel, would be a very good thing. It is not traditional for arts organisations to look in terms of investment and equity share; they tend to look in terms of grants. We have looked at this shift carefully, and at comparators. In certain places like Quebec it has been working extremely well for certain kinds of programmes. These can be infrastructure, new technology and certain large-scale performance programmes that can begin to recoup their investment over time and then go into profit and feed profit back into these organisations. It is not going to be suitable for all kinds of organisations. It will require a different mindset but, as part of the toolkit, it is an extremely effective and important part. It can help organisations change their business model and look at recycling money, taking the pressure off the public purse. This surely must be a good direction for the economy.

Agnieszka Moody: Similarly, in the audio-visual sector, it is a mix. It is a part of the mix that some businesses will not be quite ready to shift to this system of loans; they will be relying on grants. But some will welcome the opportunity. An example could be cinemas again.

There was an initiative by the UK Film Council some eight years ago to equip a large amount of screens with digital projectors. Some 240 screens were paid for with public money. The reasoning behind this initiative was to provide audiences with access to films. This equipment is now eight years old, and in the digital age it will definitely need updating. But it is not a rescue situation anymore. Those cinemas are there. They have transferred to digital. They would be quite reasonable contenders for perhaps even teaming up as a group and going for a loan on preferential terms that would be supported by this facility. Another obvious sector would be games, which are on the commercial edge of audio-visual. There it is less about plugging the gap in finances with a grant than about plugging the temporary gap in financial projections of profitability with an injection of cash—again, on better terms than are commercially available. The demand will be there from the sector, for sure.

Ann Branch: From the European perspective, on the stakeholder aspect, there has been a lot of research and consultation. A 2009 study on the role of banking in European film highlighted the need for such an instrument, and a study published in 2011 on the entrepreneurial dimension of the cultural and creative industries identified this as a key issue for these sectors. In 2010 we published a green paper—a consultation document—on how to unlock the full potential of the cultural and creative sectors; it emerged there as an issue. It is also being called for strongly by a member state expert group comprising national experts appointed by Governments on the cultural and creative industries. It made recommendations for such an instrument to address the access to finance issue. There is also a stakeholder platform at European level, representing over 40 European representative organisations. There is a platform on the cultural and creative industries, and it has also called strongly for such an instrument. The European Parliament, in a resolution last year, also called on Member States and the Commission to consider the setting up of such an instrument. In the public consultation on the MEDIA programme, 54% strongly agreed with

setting up something like this. We have had various meetings with financial institutions in 2009 and two meetings in 2011. Finally, it is important to mention that the European Investment Fund—the idea would be that it would run it for us—has AAA status and previous experience of running such generic schemes. It agrees that there is a specific need for these sectors that is not currently being addressed and tackled through generic instruments.

The Chairman: Thank you, that is very helpful indeed. If you send us some of that material, that would aid us greatly in writing our letter once we have finished the inquiry.

Q45 Baroness Scott of Needham Market: The Government opened a public consultation on the Creative Europe proposal in December. When we spoke to the Minister last week, only about half a dozen responses had been received but—perhaps as a result of the millions of people who watch our Committee proceedings—the number of responses has now surged to something like 43. Given the benefits that you have outlined, it is interesting that the response rate was so poor. Therefore, I would appreciate hearing your take on why that is. Is the UK particularly bad in responding to such consultations, or is that pretty standard across Member States? If so, what is happening here, given how important you have said this programme is?

Agnieszka Moody: There are several points to make here. First, it is important who responds, rather than how many responses are made. It would be quite ambitious to expect the end-user to have the knowledge that we have of the detail of what is proposed. To be frank, end-users see that there is going to be more money, but that is probably the depth of their response. For example, to understand fully the details of the financing facility requires a bit of homework, and I am not sure that many people would have done that for the purposes of the consultation. From my own inquiries, I know that all major public agencies responded, including the BFI on the audio-visual aspect. That matters a lot because these are

policy-makers who have expertise in this area, and their view on the proposal should be considered very seriously. All of those are in the mix: the producers association and the exhibitors association—all the people that I would hope would respond—have responded to the consultation. On the issue of measuring the engagement of industry, we organised a briefing in the British Library in order to educate users about the Creative Europe proposal and we filled the 255-seat auditorium—we were turning people away. So there is interest.

The consultation had 24 questions, including on things that sounded perhaps more future and less familiar, but the beginning of the consultation was all about asking people about the impact of the programmes. I am hoping that the DCMS will look at our survey, because we have 200 responses with a great deal of detail on what this money has actually done to the audio-visual industry.

However, I hope that this consultation will not be the Government's only way of evaluating this proposal. In some cases, in particular on the financial facility, you really need the experts to give their views, so the banks should be consulted. Some representatives of the industry—not the industry at large, but some targeted companies—should be asked for their views, which should be listened to. I hope that that happens as well as the public consultation.

Yvette Vaughan Jones: From the cultural sector's point of view, the consultation was never something that the public would respond to—

Baroness Scott of Needham Market: I was not suggesting that the public should respond, but perhaps the sector should respond.

Yvette Vaughan Jones: Within the sector, we have had meetings with the UK beneficiaries, who are very familiar with the new programme and have strong views. We find that the small businesses in the sector are part of membership organisations, which represent them.

For example, the IETM¹—which is based in Brussels but has a very high proportion of UK performing arts organisations—sent round its response to all its members, and I assume that people in the sector will feel that, if their views are well covered there, the IETM submission represents their response. I think that you will find that there is high awareness in the sector of the issues and a lot of debate, but when it comes to the more detailed analysis, as Agnieszka Moody said, they rely on their umbrella bodies to do that for them.

Q46 Baroness Scott of Needham Market: I was not for a moment suggesting that the general public would engage with the consultation, but there are many hundreds, if not thousands, of cultural organisations. Given that the Commission is proposing a 37% uplift in the budget, you need all the justification and support that you can get if you are to get that through. That was my point.

Ann Branch: Perhaps I can add some European context. First, I agree entirely that most responses will come from the representative organisations, which is a phenomenon that is true in any sector—I have worked in the business sector before, where companies do not have time to look at policy documents so they rely on the process within their representative organisations to feed into such consultations.

It may be interesting for you to know that, in our public consultation at the beginning of this process on the Creative Europe proposal, on the culture side we had 1,000 responses in total, of which 47 came from the UK—that seems to be approaching the figure for the Government's consultation. On the MEDIA programme, we received a total of 2,586 respondents, of which 259 came from the UK, so some of these organisations have already responded before. Another important point to add about engagement is that, if you are trying to understand the impact on operators, you need to look at how many people actually

¹ International Network for Contemporary Performing Arts

apply under the programme. Those figures are of course much higher, but not all of those people will respond.

An additional point on engagement that is worth mentioning is that there is a process at European level of structured dialogue with the cultural sector through three thematic platforms, which represent all the key sectors across Europe, including many UK organisations. That has produced a lot of work and recommendations, which have fed into our proposal upstream. That is just another dimension of the consultation and engagement that is taking place, but you would not see that from this UK exercise.

Q47 Baroness Henig: When the Committee took evidence from the Government's Minister for Culture, Communications and the Creative Industries last week, he was pretty frank in admitting that his contact with his European counterparts over the past two years has been pretty sporadic, if I may put it in those terms. Obviously, he was using his time in other ways. Do you think that United Kingdom Ministers could engage more fully with their counterparts in Europe? In a way, this is all about adding value and effectiveness, so is there anything specific that that would achieve? I would really like to get your perspective on this issue of direct engagement at ministerial level.

Agnieszka Moody: There is definitely room for improvement, as I think the Minister himself said, which would definitely be of benefit. The European Union is one big negotiating table. Obviously, we are all in it together for a reason—together we are stronger, and the bigger countries help smaller countries—but national interests are not to be overlooked there, and certain countries that are more engaged may secure their own part of the offer more intensively. We can see that at the level of how Member States contribute to the work of the committee that oversees the MEDIA programme, and there either you are part of the conversation or you abstain from the discussion. That can be applied to the higher

ministerial level: when you are in dialogue with your colleagues, there will be benefits at home.

Q48 Baroness Henig: I hear what you say, but at the beginning of this session we accepted that the UK does very well out of these programmes. That is why I qualified my question, because there may well be other ways of securing the benefits. That was the point of the question, really.

Yvette Vaughan Jones: Culture is inherently international, so I would have thought that the importance for the Culture Minister to talk internationally is self-evident. You can also learn about and share some of these intractable problems across Europe by talking with your partners. You see how the role of culture can be strengthened and how its role in developing the European economy can be strengthened. Sharing with other countries that do things differently—and perhaps see culture differently and fund it in different ways—is surely a good thing.

Ann Branch: From our perspective, the more engagement in Europe from Ministers in general, the more welcome it is—from every single country. Just as cultural operators can learn from one another, Ministers can learn from each other as well, and the debates do concern them. There are also regular occasions for them to meet. In addition to the two formal Council meetings each year for Culture and Audio-visual Ministers, which take place in May and November, there are sometimes informal ministerial meetings—there will be one in October under the Cypriot presidency, where they will meet with their education counterparts. Sometimes these informal ministerial meetings are a good opportunity to meet with other counterparts, so I think that could be a very interesting opportunity, too.

The Chairman: Thank you very much indeed, especially for your thoroughness in addressing some of the quite difficult questions that we put to you. I think that virtually all of you have agreed to send us quite a lot of different kinds of information, and we would be

grateful if we could receive that as soon as possible. On behalf of my colleagues, I thank you very much for giving up your time this morning.