

Cities, Clusters and Creative Industries: The Case of Film and Television in Scotland

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ABSTRACT *Interest in the creative industries has burgeoned in recent years. They convey many positive images for the development of cities and regions in an increasingly market-driven, globalized economy. The cluster concept has had an important influence on thinking and policy towards the creative industries. The purpose of this article is to examine the extent to which these ideas help to explain a particular situation. It analyses the various forces affecting the performance of the film and television industries in Scotland. It concludes that these sectors have a more modest economic impact than commonly assumed and that national and transnational organizations and government regulation are more important than localized networks in influencing their scale and durability.*

1. Introduction

Interest in the creative industries has burgeoned in recent years. They convey a powerful cocktail of images for the revival of cities in an increasingly market-driven, globalized economy. Their products incorporate individual skill and creativity, so are knowledge-intensive and difficult to imitate by low cost producers abroad. The agents of production are small firms with the entrepreneurial drive and flexibility to respond to changing markets. The process of production involves cooperation among people and enterprises with specialist expertise, writers, designers, producers, etc. Spatial proximity fosters social interaction and trust, particularly in cities with the institutions and infrastructure for firms to learn, compare, compete and collaborate. Dense local networks create a dynamic atmosphere that spurs innovation, lures talent, attracts investment and generates growth through a self-reinforcing, endogenous process. Meanwhile, global markets for these consumer products are expanding as a result of rising incomes and falling trade barriers. Information and communications technologies such as the Internet are opening up new marketing and distribution channels to local producers.

Many of these attractions for policy-makers are encapsulated in the concept of industrial clusters. This holds that space and place matter increasingly to the performance of the economy, and that cities and regions are particularly valuable sources of innovation, productivity growth and international competitiveness. They provide a distinctive base for firms to

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become more productive through local cooperative and competitive relationships with other firms and associated institutions. According to the leading advocate of industrial clusters, Michael Porter, "The enduring competitive advantages in a global economy are often heavily localised, arising from concentrations of highly specialised skills and knowledge, institutions, rivalry, related businesses, and sophisticated customers" (1998, p. 90).

The cluster concept has had a big influence on thinking and policy towards the creative industries. Government advisors stress the importance of creative networks in cities. Cities are said to be privileged locations in the new information-rich economy as nodes of intense business interaction and sharing of ideas and insights, leading to rapid learning and innovation (Leadbeater, 1999). They are conducive environments offering scope for people and ideas to mix and mingle; places where knowledge is created, tested, adapted and disseminated (Hall, 1998; Landry, 2000). This chimes with the new emphasis in regional policy on promoting development from within (HM Treasury, 2001). It is at a localized scale that knowledge creation and collective learning are said to occur most effectively, with people and firms developing original ideas, sharing information and knowledge, and learning to trust each other:

the cultural industries based on local know-how and skills show how cities can negotiate a new accommodation with the global market, in which cultural producers sell into much larger markets but rely upon a distinctive and defensible local base ... Cultural industries and entrepreneurs will play a critical role in reviving large cities that have suffered economic decline and dislocation over the past two decades. (Leadbeater & Oakley, 1999, pp. 14–16)

A recent government report on the creative industries echoed this view of their contribution to regions: "Successful (creative) cluster development can be a key to regional competitive advantage, and the challenge is how to ensure the continued success of existing clusters and nurture the growth of emergent clusters" (DCMS, 2001, p. 18). Clustering pervades the strategies of the Regional Development Agencies. They have been encouraged to link up with other local cultural, educational and promotional bodies to support new and existing creative industries (see also, DTI, 2001). The intention is to increase communication, learning and cooperation between groups of entrepreneurs and associated institutions.

The purpose of this article is to examine the extent to which these ideas apply in a specific situation and to explore the obstacles to realizing their full potential. Does the concept of industrial clusters help to understand the development of this particular branch of the economy and to inform policy? I analyse the forces influencing the performance of the creative industries in a particular region and assess their contribution to the local economy. Since this analysis is part of a wider study of cities, their distinctive influence on the performance of these sectors is also assessed. In effect, the role and significance of cities, localized networks, individual firms and other (non-commercial) institutions are being compared and contrasted.¹

The article stems partly from a concern that the enthusiasm of policy-makers for the creative industries has not been matched by analysis of their drivers and dynamics. Bluntly stated: "Culture is now seen as a substitute for all the lost factories and warehouses, and as a device that will create a new urban image" (Hall, 2000, p. 640). In particular, I suggest that there is a tendency to exaggerate their economic importance.²

There is also a tendency to over-emphasize the local determinants of performance, particularly collaborative networks. The importance of external relationships, national institutions and international corporations has been neglected.

The article focuses on film and television production. Scotland has some strengths in this sector, including a track record of feature films, independent production companies, two large

television broadcasters and a pool of talented actors, producers and technicians. Yet, the industry, if one can call it that, has performed inconsistently historically and it remains rather small. Short-lived successes have sometimes been confused with sustained achievement and the role of national institutions and government regulation remains important. I also consider several current developments in the UK that may facilitate future growth, including the creation of new channels for distributing creative products and political pressures to rebalance the concentration of the media from London. One message emerging is that the industry needs to strengthen its external orientation to take full advantage of these opportunities.

The next section outlines a framework to structure the analysis. Section three discusses the definition and nature of creative industries and the importance of film and television. The fourth section considers the historical development of cinema and film in Central Scotland. Section five discusses television broadcasting and production. The sixth section draws conclusions and implications.

2. Unpacking Clusters

Porter defines clusters as “geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, standards agencies, trade associations) in a particular field that compete but also co-operate” (2000, p. 15). The two key features of this are that firms are linked in some way (through trade or use of common inputs or techniques) and are located in proximity. Porter’s central argument is that areas with strong inter-firm and institutional relationships of this kind are more innovative, internationally competitive and capable of growing faster than places with weaker local connections. This argument is not actually new, but it has been articulated more forcefully and with greater impact on the policy community than ever before.

One of the difficulties with this definition is that there are no clear boundaries to clusters, both industrial and geographical (Martin & Sunley, forthcoming). It is vague about the degree of aggregation of firms and industries, the strength of linkages between firms and the spatial scale and intensity with which clustering processes operate. The concept also fails to distinguish sufficiently between different kinds of forces promoting concentration, innovation and competitiveness. It conflates quite different processes operating at different geographical scales into a single, all-embracing notion. This generality makes it difficult to identify clusters directly and to test the arguments empirically. Without substantive analysis of particular industries in specific locations, the theory risks producing misguided policy prescriptions, such as the emphasis on inter-firm collaboration or specialization on leading edge industries.

At least three distinctive clustering forces can be discerned (Gordon & McCann, 2000).³ First, the classic model of pure agglomeration emphasizes the external economies of scale or scope that flow from firms locating in the same area. There are three principal kinds of benefit (Marshall, 1920). First, firms gain from access to a more extensive labour pool, making it easier to find specialist skills. Second, firms can gain access to a greater range and quality of shared inputs and supporting industries, such as specialized maintenance, marketing or design services. Cities are good locations for suppliers because of the size of the market available. Third, firms gain from a greater flow of information and ideas. There is efficient transfer of trade knowledge between firms through informal contacts or movement of skilled labour. These ‘knowledge spillovers’ help to disseminate good practice and facilitate new products and processes.

Geographical proximity is common to all three, hence use of the term ‘agglomeration economies’. This presumes no form of cooperation between actors beyond what is in their short-term interests. Co-location increases the opportunities for them to trade with other firms, to recruit suitable labour, to benefit from common infrastructure and to reduce market

uncertainties. The scale and density of economic activity in the area determine the significance of these benefits, basically the larger the better.

The second form of clustering is the industrial complex or activity complex. The concept is characterized by relatively stable trading linkages between firms. Firms in these production chains locate close together to minimize the costs of communication. Good internal and external transport infrastructure and logistics systems are important for the competitiveness of industrial complexes. Shared services, a specialized labour pool and fortuitous exchange of information are relatively unimportant.

The third model is the social network. The core idea is that there is active cooperation between firms and other actors to promote trust and long-term decision-making. This enables them to overcome some of the limitations of pure market relationships and short-term contracts, and to undertake risky or costly ventures without fear of opportunism. The greater the degree of shared beliefs and assumptions, the higher the level of social integration. Proximity fosters collaboration, including interpersonal relationships, trust and a sense of common interest. It can help networks to build upon the distinctive history and identity of places, and facilitate practical organization around collective action, leading to strong clusters represented by their own associations.

In seeking to assess the validity of these arguments, several points need to be borne in mind. First, in stressing the importance of ongoing business interactions, all three models tend to neglect historical processes, including the dynamics of cluster formation and obsolescence. Decisions about business location may reflect historical accident (Krugman, 1996a, 1996b) or conditions inherited from pre-existing industrial structures more than contemporary opportunities for trade and collaboration (Coe & Townsend, 1998). Firms may grow in particular places mainly because this is where suitable labour and other production factors happen to be concentrated, or where parent companies or major customers were once located. Urban and regional development need to be understood as historical, path-dependent processes in which new industries are laid down on and shaped by inherited conditions (Massey, 1984; Martin and Sunley, 1996). Sections four and five show how much history matters.

Second, their focus is on localized relationships. In analysing any real situation, external ties must also be considered, at the level of the firm and more broadly. For instance, business networks may be national or international, and firms may develop connections with customers, suppliers and collaborators beyond the cluster if they offer more advanced capabilities, lower prices or access to larger markets (Amin & Thrift, 2002; Scott, 2000). Successful local firms may also be vulnerable to external take-over by major corporations with the potential to constrain or accelerate their growth by virtue of their market power and access to resources, that is internal economies of scale. Finally, clusters may grow at the expense of, or as a satellite of, other places, so they should be analysed in relation to the wider urban and regional system of which they are part.

We turn now to consider the distinctive character and geography of the creative industries, with a focus on film and television production.

3. The Creative Industries

Creative industries can be defined as the area of overlap between cultural and commercial activities. They involve the supply of goods and services that contain a substantial element of artistic, imaginative or intellectual effort, or that are associated with and play a vital role in sustaining cultural activities. The boundary is a matter of debate; for example, what forms of entertainment are included. They typically include film, television, video, music, the visual and performing arts, advertising, publishing, design activity, software and new digital media (e.g. DCMS, 2001; DTI, 2001; Scott, 2000). Obtaining robust statistics is difficult given this

diversity. Recent estimates suggest that the creative industries in Britain account for about 5% of gross domestic product (GDP), employ some 1.3 million people, generate exports of around £10.3 billion and are growing at nearly three times the rate of the economy as a whole (DCMS, 2001).

3.1 Distinctive Properties

Creative activities have distinctive properties that affect their organization, economic impact and geography. First, there is particular uncertainty about how consumers will value a new product because of its original, often unique character (Caves, 2000). This makes communication between producers and consumers important and encourages sophisticated intermediaries, such as commissioning agents and distributors. Their powerful position in understanding and shaping consumer preferences makes access vital for producers. The uncertainty of consumer reaction also means a high risk of product failure, so attracting investment is difficult and ways of sharing risk are important. This helps to explain the common ownership and alliances that exist between producers, distributors and cinema owners in the film industry. This vertical integration gives market power to control what films are shown. Internal economies of scale also reduce the cost of production and help to spread the risk of failure.

Second, there is often a high degree of individual skill, talent and commitment involved. Creative producers may care deeply about attributes of their products that most consumers do not notice or value as much, such as originality, purity, meaning, aesthetics, integrity or technical proficiency. This can create a tension between cultural and commercial objectives, especially for 'high' or 'alternative' cultures rather than 'popular' forms. It tends to make income generation and business viability more difficult than in many other industries where individual, cultural and political values do not feature as prominently.

Third, some creative products (such as feature films or major television dramas) require very diverse and specialized skills and knowledge to be brought together temporarily. This complicates their organization and can be very costly, creating barriers to entry for new producers. The public profile of popular entertainment can create powerful personalities, such as film, television and pop music stars. Celebrities may exert a strong pull on the timing and location of production.

Fourth, creative products are often heterogeneous and irregular in scale and character, which creates awkward and inefficient discontinuities in production. Flexible organizational arrangements and labour markets can assist the process, including project-based teams and freelancers. Social networks among individuals and associated institutions may facilitate essential exchange of ideas and information, and reduce some of the difficulties of coordination that result from fragmentation (Scott, 2000).

3.2 Geography

London has a dominant position in most creative industries in the UK (DTI, 2001). The scale of concentration is striking bearing in mind the argument that all cities and regions can develop successful creative sectors (Landry, 2000; DCMS, 2001). London houses no less than 70% of all jobs in the production and distribution of film and video and 55% of jobs in television. This stems from the concentration of major broadcasters, studios, producers, distributors and specialized suppliers, and is reinforced by links to the publishing, advertising, music and entertainment industries. This is an issue to which we return because it contrasts with the geography of film and television consumption and revenue generation through cinema audiences, video sales, receipts from the licence fee or satellite and cable subscriptions. This mismatch is a source of growing political sensitivity, especially in the context of more

general north-south regional disparities (Film Council, 2000a, 2000b; PACT, 2000). Pressure from the 'nations and regions' has forced the government to encourage television broadcasters to increase spending on programme making outside London.

Scotland appears to have a larger share of employment in television production and distribution than all other regions in the UK besides London, with around 5300 jobs altogether, although this may be inflated by certain routine activities (DTI, 2001). Within Scotland, the film and television industry is strongly city-oriented. Glasgow is the largest centre, with the headquarters of BBC Scotland and Scottish Television (STV), most independent production companies⁴ and a range of supporting organizations such as Scottish Screen, higher education institutions and the Nations and Regions unit of Channel 4. Glasgow also has a long history of filmmaking, a strong tradition of civic sponsorship of the arts, music and museums, and recent initiatives such as the Glasgow Film Fund. Many Scots-born film and television stars also add to the city's image by continuing to live here despite working further afield. Edinburgh also has a history of film and television, including its prestigious, long-running International Film Festival and a sizeable advertising and publishing sector.

3.3 Local Economic Impact

There are three ways in which film and television can contribute directly to the local economy, ignoring their symbolic value. First, certain activities are essentially dependent on local demand. They involve exhibiting films or providing services for local consumption, such as cinemas, video rental and television broadcasting (physical delivery of pre-made programmes and those shown only once, such as the news). Since they serve local markets and their value added is modest, they are relatively protected from external competition and their overall scale and employment level reflect the size, spending power and preferences of the local population.⁵ Consequently, this category of activities offers limited scope for independent growth.

Second, some products are sponsored or commissioned for non-commercial purposes. They include factual programmes for public service broadcasting (serving information and educational functions) and special features to meet the needs of particular regional or sectional interests, such as minority languages. They also include short films sponsored by private corporations for marketing purposes and films subsidized by public bodies or the Lottery for cultural reasons or to nurture talent. The prospect of these products generating further revenues is usually limited, either because the size of their audience is circumscribed or the viewers are not paying customers. In addition, the producers may not control the rights or means to distribute the products, or they may not want to exploit their commercial potential. Consequently, the economic impact and growth prospects of these activities tend to be modest.

Third, certain products generate revenues from beyond the region and have growth potential, such as feature films, television series or original programme concepts ('formats') that can be adapted and sold to other countries. The producers hold the rights to exploit their intellectual property and sufficient influence over distribution channels to ensure wider release. Since they are externally traded, competition tends to be greater and the pressure on quality and costs may be more intense. Production is an irregular activity, especially without the scale economies of established film locations (studios, film crews, scriptwriters and access to finance). Commercial success is also extremely variable. An alternative to vertical integration may involve networks of independent producers and freelancers that collaborate on discrete projects. Proponents suggest this creates dynamic efficiency, that is flexibility to mix and match different skills depending on the project, coupled with the incentives and autonomy to

develop innovative ideas and techniques and to maximize sales (Leadbeater & Oakley, 1999; PACT, 2000).

4. Film Production and Exhibition

All three kinds of activities are present in Scotland, with a historical progression from the former to the latter. They originally emerged through the provision of local services (film exhibition and television broadcasting). Sponsored documentaries and programme making for regional consumption became important subsequently. Success with film and television production for wider markets only came later. There have been some connections between these activities, but the links are weaker than one might have expected from theories of clustering and endogenous development.

Cinema became an extremely popular form of entertainment in Scotland during the twentieth century (Hardy, 1990; Petrie, 2000). People were attracted to ‘the pictures’ by the experience and escape from everyday routines and discomforts. By the 1950s there were 150,000 cinema seats in Glasgow (nicknamed ‘Cinema City’), about 10 times as many as today. Several Scottish entrepreneurs created very successful national cinema chains, but none succeeded in production. The formula for cinema success was to show expensive grand spectacles featuring glamorous film stars. Hollywood dominated film production by securing scale economies to sustain the studios and market power through vertical integration with distribution. British producers and distributors were smaller and more fragmented.

Despite the strength of local demand—an important feature of Porter’s clusters—film production barely developed in Scotland. There were one-off fiction films shot on location here, partly because of the popularity of Scottish kailyard and tartanry narratives at the box office (Petrie, 2000), but the cost of sustaining the infrastructure for feature films was too great. Many factual films and documentaries were commissioned by public and private organizations over the years, for public information or advertising. The government sponsored promotional films about Scottish industry, agriculture, tourism, education and sport. Glasgow Corporation sponsored films about its tram and bus service, welfare support, plans for new public housing and police force. Although documentaries did not generate the revenues of feature films and employed few people directly, they helped sustain several small production companies.

Cutbacks in government sponsorship prompted the creation of the Films of Scotland Committee in the 1950s. This was a voluntary association to stimulate Scottish film production and a good example of institutional collaboration in the face of adversity. It acted as an intermediary bringing together public and private sector sponsors with scriptwriters, filmmakers, etc. This gave it considerable influence over the nature and quality of films produced. Over the following three decades it supported about 160 films (Petrie, 2000). This helped to develop a group of independents specializing in educational and industrial films.⁶ The Committee ceased in the 1980s because of a shift in fashion away from short documentaries (Hardy, 1990). Many production companies had ambitions anyway to move beyond the conventional narratives of documentary towards the challenge of fiction.

The 1980s marked the emergence of indigenous feature films. Some foundations had been laid with a range of short dramas supported by the British Film Institute (BFI) and Children’s Film Foundation. Films of Scotland also funded a few experimental low budget films without sponsorship restrictions to allow producers to explore new images. The new mood was reflected in several initiatives to try and bring people involved in filmmaking together to discuss funding and other problems and to create a stronger sense of identity. An annual directory of Scottish personnel, facilities and production companies called ‘Film Bang’ was published and the Scottish Association of Independent Producers was created.

Table 1. Feature film production in Scotland

Year	Scottish production companies	Other UK production companies	Foreign production companies	Total films shot wholly or partly in Scotland (Glasgow)
1991	1	1	4	5 (1)
1992	5	0	3	6 (1)
1993	2	1	1	4 (2)
1994	3	2	9	12 (1)
1995	3	3	4	9 (4)
1996	6	3	5	12 (5)
1997	6	9	3	13 (7)
1998	1	6	5	10 (6)
1999	5	7	4	14 (8)
2000	2	3	11	16 (7)

Note: Based on the British Film Institute definition of feature films as over 72 minutes long, made on celluloid and with the intention of theatrical release. Some double counting in columns two, three and four because of joint productions.

Source: Scottish Screen (2001).

The first truly indigenous Scottish feature for many decades was written and directed by Bill Forsyth on a negligible budget. Filmed in Glasgow and drawing on local humour and irony, *That Sinking Feeling* generated considerable interest. He followed up with three others, two of which were also set in Glasgow. Box office success for *Gregory's Girl* meant that *Local Hero* and *Comfort and Joy* were funded as commercial propositions. Their popularity as light comedies rooted in contemporary Scotland encouraged others to follow the style with films such as *Heavenly Pursuits*. Some producers began to explore Scotland's identity in different ways, for example through its relationship with Europe. They were more in the tradition of art house cinema, with funding from public subsidies rather than commercial investors (Petrie, 2000).

Yet, there were still too few projects to ensure any continuity. Public sector support was also fragmented and restricted in scale. The Scottish Film Production Fund was one of the main sponsors with five low budget features during the 1980s and a range of short films by graduating students. Channel 4 was also important in supporting eight Scottish films over the same period.

During the 1990s the situation progressed and the number of feature films made in Scotland rose from an average of five a year at the beginning of the decade to about 15 at the end (Table 1). The numbers shot either wholly or partly in Glasgow rose more quickly. This growth in activity raised the credibility of Glasgow and Scotland as film locations and helped to improve the local infrastructure, including suppliers of services and equipment and the pool of technical skills and creative talent, so there was less need for film crews to be imported.

Some of the growth was associated with increased popularity of films about Scotland (such as *Braveheart* and *Rob Roy*), partly linked perhaps to the international attention attracted by the pressure for devolution. New and established filmmakers (such as Peter Mullan, Ken Loach, Andrew MacDonald and Lynne Ramsay) chose to work in Scotland because of the opportunities becoming available and the power of its urban images. A new generation of prominent Scottish actors was also emerging (such as Ewan McGregor and Robert Carlyle). In short, Scotland and its main cities were becoming fashionable in film circles.⁷

There were tangible reasons too, including the establishment of new funds to boost production.⁸ The Glasgow Film Fund (GFF) was created by local public agencies with

the backing of European structural funds to assist in meeting gaps of up to £250,000 for low budget features. It supplemented several Scottish funds created to support the different stages of film production, including preliminary research, scriptwriting, project planning, staff training, marketing and promotion. They aimed to improve the capabilities of indigenous producers and were funded by the Scottish Arts Council and the Lottery.⁹ The Edinburgh and Glasgow Film Offices were also established to smooth the path of outside producers coming to film here. In 1997 the range of Scottish-level agencies and funding streams involved in promoting filmmaking and cinema were integrated into a single new organization, Scottish Screen.

The enhanced support contributed directly to a range of novel productions. The GFF's first investment was £150,000 towards a film costing £1 million by an unknown Scottish producer. *Shallow Grave* was a dark thriller set in Edinburgh but mostly shot in a temporary Glasgow studio. It was an unexpected hit, grossing nearly £20 million world-wide. It repaid the GFF £260,000 and launched the career of Ewan McGregor and the production team. It also prompted Channel 4 to fully fund the company's next film with £1.7 million, its largest investment to date. *Trainspotting* was a gritty drama about modern drug subculture and also set in Edinburgh but largely filmed in Glasgow. It was an even bigger commercial success, making nearly £50 million world-wide, and reaching number 10 in the BFI all time top 100 movies.

Since then GFF has supported at least 12 other Scottish features with a total of £2 million.¹⁰ Many of them would not have gone ahead at all, or at least not in Glasgow, without this investment. Many have also been acclaimed among reviewers and have proved popular internationally, particularly on the European art cinema circuit. However, none have enjoyed the commercial success of *Shallow Grave* and *Trainspotting*.

This brief history suggests that Scotland has established two assets for filmmaking. First, it has a group of talented and committed individuals and support organizations with diverse capacities ranging from acting to production and technical assistance. They form a very loose network with a degree of local attachment that has helped maintain some consistency of ambition and output. Second, strong narratives and reputations have emerged around Scotland's culture and physical environment, particularly in and around its major cities. These are intangible but nonetheless distinctive resources that have helped to attract and sustain film production.

Despite these localized strengths and the growing profile of films made here, it is still difficult to argue that there is an enduring film 'cluster'. First, the sector has insufficient critical mass to sustain the specialized services required for consistent quality throughput. It lacks the agglomeration economies of cities like London, Vancouver or Los Angeles to sustain a major film studio and related facilities. Production remains a highly uncertain and high-risk activity organized around discrete projects (usually short films and low budget features). Technical and creative personnel often have to travel elsewhere or look to television and the theatre for work. Commercial success is rare, so there is limited recycling of surpluses. Public funding has been critical, but continued reliance on this is not a sign of durability.

The mobility of film production is also indicative, since Scotland remains vulnerable to competition from elsewhere. Between 1999 and 2000 there was a sharp downturn in British features filmed in Scotland (Table 1). *Late Night Shopping* was the only significant one made in Glasgow in 2000, compared with seven in 1999. More were shot in less established locations such as Liverpool, Sheffield and Newcastle, partly because of the incentives made available there. Some of these films involved Scottish crews and companies. Most of the foreign films shot in Scotland were Indian productions ('Bollywood') that made little use of local crews or facilities. Their presence was fleeting and aimed at using Scottish mountains and castles and Glasgow's Victorian buildings and parks as backdrops for song and dance routines.

European cities such as Dublin, Hamburg and Prague were better equipped to attract more substantial international productions, given their modern facilities and tax benefits.

Second, indigenous producers are constrained by the lack of control over distribution and exhibition. Most of the films that get funded locally get no cinema exposure or promotion through video sales. This constrains their commercial potential and limits the resources available for reinvestment. The sector's localized network and other assets is clearly no match for the powerful transnational corporations.

5. The Role of Television

Television has provided more continuity than feature films in Scotland and has had a bigger impact on local jobs and infrastructure. It has also done more to develop creative and technical talent and to help establish production companies with the capacity for growth. Yet, its centralized organization and funding have also limited its local economic contribution.

The development of the television industry in Scotland mirrors that of films in several ways. It started as a regional service, broadcasting programmes to the local population that were made elsewhere. Then it progressed into producing more of the programme content locally. Subsequently it has diversified into more creative forms of output for other broadcast media and markets. This trajectory is less a reflection of market forces mediated by local institutions than the outcome of national political and institutional decisions, reflecting the influence of public sector regulation.¹¹

The origins of television lie in radio broadcasting, since the same national organization (the BBC) was given responsibility for both media by governments of the time. Early on, an organizational structure and procedures were established which have had an enduring legacy. Centralization and monopoly were two important features. Broadcasting was made a monopoly because of its influence over society and the desire to manage it as a public service: to inform, educate and entertain. Influential figures feared that competition would lower standards, jeopardize impartiality and reduce provision for minority interests. Decision-making was centralized to develop the BBC as a national institution with uniform standards. Centralized programme making was supported on the grounds of quality of output and economies of scale achieved by locating the artistic and professional talent and production facilities in one place.

Consequently, the bulk of the managerial, technical and creative capacity of the radio and television industry developed in London. One reason for establishing a presence elsewhere was simply because local transmitters were required to reach the population. Over time, regional administrative and engineering facilities were also set up to service the population.¹² In addition, the capacity of regional stations to make their own radio programmes slowly increased in response to pressure for the BBC to do more to reflect the life and character of different parts of the country. News, current affairs, arts and sports reviews featured prominently among the regional output.

The BBC started television broadcasting in Scotland in the early 1950s, but only established a studio here 5 years later, and programme making developed slowly. During the 1950s the Conservatives had removed the BBC's monopoly over television to encourage competition, leading to the ITV network. Its structure reflected an explicit commitment to regional broadcasting, although few programmes were made in most of the regions. The small population and limited advertising income in many regions encouraged centralization.

One of the factors prompting the BBC to increase funding for regional production was a fear of competition from ITV for audience. The BBC regions were also concerned that ITV might poach its staff and negotiate exclusive contracts to cover local sporting and cultural

events. This was offset by criticisms from London that Scottish programmes were parochial. Nevertheless, the BBC's Scottish output was expanded during the 1960s to about 10 hours a week, where it remained until the 1980s. The main subject areas were Scottish current affairs and culture. There was also some drama production—generally considered the most prestigious genre—although this was usually initiated and controlled from London (Petrie, 2000). Most of BBC Scotland's resources were based at its Glasgow headquarters to avoid dilution, with some broadcasting staff and facilities also in Edinburgh and Aberdeen.

Regional concerns about centralization within the BBC increased during the 1970s, alongside wider pressures for devolution. London's production capacity had grown enormously, so it was hard for the regions to match its quality or to cater adequately for local interests and cultural diversity. They were also losing talent because of London's higher pay and wider opportunities, and they wanted more local discretion to avoid the central BBC bureaucracy. Some of the regions were able to concentrate their resources on specific genres, such as natural history at Bristol which developed an international reputation and substantial autonomy within the BBC (Bassett *et al.*, 2002). BBC Scotland had broader obligations as a 'national region', so it was less able to develop strengths that could be 'sold' elsewhere to generate additional resources. About a third of the BBC's income from Scottish licence fees went on Scottish-made programmes, while two-thirds went towards network programmes and central services, most of which were London-based.

BBC Scotland remained part of a highly centralized organization, almost a regional outpost, albeit with an increase in its scale and range of programmes. Under more vigorous leadership in the 1980s it began to develop more products for the national network, including drama, comedy, arts and children's programmes.¹³ In the 1990s the BBC introduced more stringent accounting procedures and made greater use of short-term staff contracts. The Broadcasting Act required the BBC and ITV companies to ensure that 25% of their output was contracted to independents. This led to a reduction in BBC staff, some of whom left to go freelance or set up independent companies. It also led to greater recognition that the BBC was part of a wider broadcasting industry in Scotland and needed to support independents. Since the late 1990s there has been an increase in BBC Scotland's budget, coincident with devolution. It has embarked on a major flagship development at Glasgow's Pacific Quay to accommodate its headquarters in purpose-built premises that are expected to anchor the creation of a wider media campus. The new building is designed to improve the BBC's accessibility and provide an environment where programme makers can be more collaborative and creative, instead of secluded in the West End.

The growth of BBC Scotland is the single most important factor behind the growth of the television industry in Glasgow and Scotland.¹⁴ The BBC has made most programmes in-house, but has also commissioned programmes from local companies or helped them to develop relationships with network commissioning editors in London, especially since recent devolution pressures to commission more from outside London. It has provided assistance with film crews and in-house studios and other facilities for programme production and editing. Over the years it has served as an important training ground across different departments for many of the technical and creative staff employed in Scotland.¹⁵

BBC Scotland has also served as an incubator for local spinouts. The Comedy Unit is the most successful example, having started as a small internal unit producing light entertainment. BBC Scotland secured a network budget for comedy in the early 1980s after a prominent producer moved from London. The unit grew through its success with series such as *Rab C Nesbitt*, *Naked Video* and *A Kick up the Eighties*. The three directors left the BBC in 1995. They had felt constrained by increasing bureaucracy and wanted more reward for their endeavours. The company started with only one other salaried person on the staff but it has since grown by another seven through popular new series such as *Chewing the Fat*, taking the annual

turnover to £2–3 million. Most productions involve freelancers, with up to 40 people employed during filming.

There are mixed views about the BBC's value as a seedbed for independents. Some firms regard the culture of the organization as unsuitable. According to one production company:

The independent sector is fast and furious, quick turnaround, fast reaction, fresh ideas, whereas you could sit around in a corporation and smoulder in a corner and no-one would notice. They have huge overheads, large staff numbers, high salaries and pensions.

STV has held the ITV licence for Central Scotland since the outset. Its scale and scope of in-house programming has increased slowly over time. STV currently produces around 20 hours of regional programmes a week covering current affairs, sport, religion and entertainment, with a staff complement of some 500–600. Its most prominent programmes have included the long-running detective series *Taggart* that was exported to 40 other countries, *Rebus* and the children's show *How2*. STV also has a tradition of producing documentaries about Scotland. In recent years increasing commercial pressures and lower advertising revenues have caused its public service remit to be downplayed and more emphasis devoted to lower budget entertainment bought in from elsewhere. STV has been less important than the BBC as a training ground and far less important than the BBC or Channel 4 in commissioning independents, although it has been a source of demand for television commercials.¹⁶

Channel 4 was created in 1982 to extend viewer choice by encouraging innovation in programme content, to cater more for minority and regional interests, and to stimulate independent production. It was organized quite differently from the BBC or ITV as a publisher-broadcaster with no studios of its own, so it had to invest in the independent sector. It was also funded from advertising income (via ITV) rather than the licence fee, reflecting the political climate. Channel 4 appeared to offer opportunities for more Scottish output to be broadcast throughout the UK, particularly from independents. In practice this proved to be a slow process, partly because of the limited capacity of regional independents at the time. During the 1990s a target was set to commission at least 30% of its programme spending of some £600 million per annum from beyond the M25. A Nations and Regions unit was established in Glasgow in 1998 to support the growth of independents outside the south-east by strengthening their creative and business capacity. Glasgow was chosen because it seemed to have a bigger independent sector than any other city outside London, together with a freelance labour pool and some post-production facilities. The unit provides regular access to commissioning editors from London; hands-on assistance and advice to research and develop new programmes; workshops to raise awareness and encourage networking; pump-prime funding for new ideas, and general help with business planning and development.

Most of the independents in Scotland are very small and shaped by personal interests in making particular kinds of programme, such as historical documentaries or short films as a possible route into feature films. They appear to be driven far more by artistic or intellectual passions than by commercial considerations.¹⁷ Their creative concerns tend to limit their growth potential since they work in a craft-like manner on a single pet project or group of projects within a specific niche, rather than on products or services offering scale and continuity. This cottage industry character is criticised by the major broadcasters, who are required to balance creative or cultural concerns with audience demand, especially with the proliferation of television channels and competition from cable and satellite putting pressure on costs. According to a senior broadcaster:

Historically among independents there has been a huge amount of vanity publishing with people coming to us with ideas they want to make but not seeing them in the context of broadcasting or audience needs. There were a lot of small lifestyle companies with individual ambitions but not a lot of experience or understanding of the market place.¹⁸

It is also a major challenge for development agencies concerned with increasing local employment and income, since many of the firms have a hand-to-mouth existence based on specific cost—plus commissions, with uncertain sustainability and growth prospects. Consequently, they find it difficult to raise venture capital to finance expansion and cannot afford to recruit experienced managers with the ability to grow the business. The broadcasters would like them to develop more popular mainstream programmes and formats that can be sold more widely and earn spin-off sales from merchandizing.¹⁹ This is a more blatant commercial type of product than a one-off documentary or film, for which budgets are contracting. The independents tend to regard these forms of entertainment as down-market and creatively uninteresting.

A second group of independents in Scotland is more growth oriented and commercial. It comprises three or four indigenous companies headquartered in Glasgow and five or six London-based firms with satellite operations in Glasgow.²⁰ They are among the top 30–40 independents in the UK, with a more deliberate market orientation and more explicit strategies to build viable businesses, often with high level external support. Their activities tend to span several genres, media platforms and customers in order to develop a range of revenue streams, thereby spreading the risk and improving stability, and exploiting creative or commercial synergies. Some incorporate new technologies such as the Internet and animation and work on developing original programme ideas and brands that may generate longer-term value. They tend not to collaborate much at the local level and are wary of being associated with ‘the provinces’ in the minds of customers. Instead, they have opened offices and formed alliances with firms providing complementary services in London or abroad.²¹

Wark Clements is a good example. It was formed in 1990 to make factual programmes and grew slowly for the first 8 years, operating almost as a lifestyle enterprise. A breakthrough came through a deal struck with the BBC in 1998 to produce a drama series, requiring a joint venture with a company in Soho. Since then growth has been rapid through diversification into documentaries, education, children’s programmes and interactive media. External mergers and joint ventures have helped expansion into comedy and entertainment, the vast majority of which has traditionally been produced in London. It prefers joint ventures to informal partnerships with collaborators in order to secure sustained benefits through skills transfer and market access. The firm also maintains strong relationships with the BBC and other broadcasters in London and is beginning to form alliances with producers and distributors abroad. Part of the owners’ drive stems from their desire to exploit the opportunities arising from greater commissioning from outside London. In 2001 it employed about 20 core staff and 15 freelancers, mostly in Glasgow, with a turnover of £4–5 million.

Ideal World is the other main example. It was established in 1989 to make factual and lifestyle programmes, and has since diversified into entertainment, arts and music, short dramas and promotional work, including long-running television series on cars, cookery and house buying. It has an alliance with a specialist documentary maker in London to produce leisure features for export to the US. Ideal World also has a joint venture with Channel 4 (its biggest customer) to develop and maintain an innovative website connected to programmes on new and second hand cars. It also made the feature film *Late Night Shopping*. The company was started in Edinburgh but moved to Glasgow to be closer to the centre of the media industry. It has grown rapidly in recent years to achieve a turnover of £7–8 million in 2001, with 15

core staff and 50–60 freelancers, just over half of whom are based in London. It has recruited experienced executives to manage growth: “A lot of broadcasters are desperate to send work up to Scotland. The difficulty is that they need to see someone in charge who has sufficient quality and experience.”

Recent inward investment by several London-based independents has been designed to qualify for non-London programme quotas and to secure commissions from Glasgow-based broadcasters. One or two have established little more than a token, temporary presence, although most have shown greater commitment by opening branches employing 10 or more staff. Their investment has been encouraged by the development agencies and broadcasters because it helps to deliver programme decentralization and can play a part in building local capacity. Inward investors help to attract and retain talent in Scotland and to expand the overall scale of activity, which may have spin-offs such as encouraging commissioning editors to visit from London. A critical issue is how many skilled staff remain rather than moving back to London after the initial commissions have been completed. Some local independents resent their presence, although most recognize their contribution to the labour pool, at least in the short-term. The more important inward investors include Brighter Pictures, Hart Ryan, Lion Television and Wall To Wall. They chose Glasgow rather than some other city partly because of its improving image and amenities. It is perceived to be a dynamic place to which staff might be willing to move.²²

6. Conclusion: Cities or Clusters?

The television industry currently makes a modest contribution to the Scottish economy. Most of the jobs are located within the major broadcasters. In the case of the BBC they depend on decisions about regional programming made in London. In recent years there has been faster growth within the independent sector. Much of this success, as well as continuity within the lifestyle sector, belies the term independent since it is also conditioned by the major broadcasters’ policies. The significance of alternative platforms for distributing creative content such as the Internet is not yet established. Consequently, this is not a story of localized networks or clusters of small knowledge intensive firms generating regional growth through an endogenous process, contrary to the image conveyed by policy-makers and advisers. The strong demand created by national organizations benefiting from internal scale economies and regulated by the government is far more important. They own much of the intellectual property of the independents and the inherent character of the commissioning process tends to reinforce the unequal relationship between them. In the short term it is important for indigenous firms to develop and maintain relationships with the London broadcasters and their main contractors, not confine themselves to local collaboration. To generate sustained growth beyond this they need to gain more control over their creative products in order to secure more value from new and additional markets.

Geography is not irrelevant to this story. Cities seem to matter to the location decisions and performance of firms and broadcasters, hence their urban concentration. The features of cities that seem to matter most, at least outside London, are those associated with agglomeration economies, rather than industrial complexes or social networks. City size and density matter for the existence of a pool of creative and technical talent, as well as generalized urban assets such as external air connections, recreational facilities and cultural amenities. Highly skilled labour is mobile, which is partly why the quality of life and image of cities is important to attract and retain qualified personnel, as well as efficient external transport links. A reasonable critical mass of independents is necessary to persuade commissioning editors from London to take the city seriously. The role of the public sector is also important in facilitating business growth through advice, training and financial support. Firms do not tend to form

stable trading relationships with other local enterprises, as in the industrial complex model. Localized networks and social interaction certainly exist, but they seem to revolve around friendships and acquaintances more than business or creative relationships.

The local film industry shares many similarities with television production. However, it is also smaller scale, more fragile and has performed inconsistently historically. Powerful transnationals exercise a bigger influence over this sector, so external ties for local producers need to be national or indeed international for a stronger industry to be created. A final point concerns the role of culture in economic development. Proponents tend to downplay the tensions that often exist between cultural and commercial considerations. Yet evidence from both film and television sectors shows that culture can constrain as well as facilitate business growth and economic development.

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Notes

1. To address these questions background information was assembled from prior research, consultancy studies and media reports, and 25 interviews held with key informants, including 10 independents and 15 individuals from broadcasters, intermediaries and development agencies. They covered the development of the industry, the nature of local and external ties, and growth prospects and constraints.
2. Looking at the national level, statistics in the DCMS report (2001) reveal that less than 10% of the revenues generated by the creative industries come from exports, so their orientation is predominantly towards domestic markets.
3. See also Storper (1997), Amin (2000), Malmberg and Maskell (2002), and Parr (2002).
4. According to the UK trade association for independents, Glasgow has more members than any other city outside London. Out of approximately 1000 UK members with over £500,000 turnover, there are 52 in Glasgow, 31 in Bristol and Bath together, 25 in Manchester and Cheshire together, 22 in Cardiff, 20 in Leeds, 19 in Birmingham and 17 in Edinburgh (personal communication, October 2002).
5. Public service broadcasters such as the BBC are slightly different since they are funded by the national licence fee and the size of their regional offices reflects a wider set of considerations.
6. Two proved particularly important in nurturing talent and spawning further firms. Templar Films in Glasgow trained influential filmmakers Bill Forsyth, Charles Gormley and Oscar Marzaroli, while Campbell-Harper in Edinburgh trained Mike Alexander, Murray Grigor and Patrick Higson.
7. Films such as *Braveheart* also had a temporary spin-off for Scottish tourism. The fact that much of it was filmed in Ireland prompted the government to provide more direct support in Scotland.
8. This was part of a broadening of support from an emphasis in the 1980s on the consumption of arts and culture (exhibitions, concerts, theatre, festivals and other events) towards production.
9. The Lottery has been by far the largest source of funding, with 15 Scottish features receiving a total of £9 million since 1996, seven of which were jointly funded with the GFF.
10. They include *Small Faces*, *The Near Room*, *Carla's Song*, *Regeneration*, *My Name is Joe*, *Orphans*, *The House of Mirth* and *Late Night Shopping*.
11. The following paragraphs draw on McDowell's (1992) history of BBC Scotland.
12. Glasgow was chosen as the main Scottish base for the BBC because it was the largest city.
13. Notable successes included series such as *Tutti Frutti* featuring Robbie Coltrane.

14. The BBC still accounts for 44% of all expenditure in the UK on original television programme production (PACT, 2000). BBC Scotland employs around 1200 people, about 800 of whom are based in Glasgow.
15. There is more contact between departments than in London because the organization is much smaller. As one senior manager put it: "BBC Scotland has always allowed young staff to work above their grade and to seize opportunities. If you've got the talent, there are tremendous opportunities."
16. In the words of one of the producers' associations, "STV has not helped independents, it has stifled a lot of development in Scotland and of the support infrastructure." ITV has been criticized by the Independent Television Commission for the low proportion of programmes commissioned from independents (PACT, 1998).
17. In the words of one: "We make programmes we want to watch." And another: "I'm forced into being a business person even though I don't want to be. We're desperately under-capitalized. It's a constant battle to keep going. We've been technically insolvent for about three years. That's just the way life is."
18. These independents have "the reputation of creating art for art's sake instead of getting down and dirty with the rest of the world's commercial studios" (Ashton, 2001, p. 3). In the words of a London-based independent with a branch in Glasgow: "Television is moving from documentary to entertainment, smaller budget, faster turnaround. It has become more like a factory than a ponderous machine. When you're making documentaries, you can sit back and think. A lot of independents here have been surviving on documentaries but they may not survive much longer. To be blunt, their working practices are too slow and they're not hungry enough."
19. Examples include *Big Brother* and *Who Wants to be a Millionaire*. The only format show currently made in Scotland is STV's successful *Wheel of Fortune*.
20. There are also a few indigenous growth companies in related fields, such as television commercials and advertising on the Internet. Picardy Media is the largest example, with headquarters in Edinburgh, a branch in Glasgow, and a turnover of £5–6 million per annum.
21. In the words of one independent: "We're terrified about sharing ideas and losing our intellectual property. Clustering benefits the weak and undermines the strong. We also don't want to be branded Scottish." According to another: "I wouldn't recognize the image of a caring, sharing industry, particularly in Scotland, because we're competitors."
22. "Glasgow is a nice happening city and its not Edinburgh which is quite dry. Its quite funky, has a fresh attitude and reflects what our brand is—on the edge and ahead of the pack. It is also very functional". In the words of another: "Glasgow is an extremely good location for making programmes quite cheaply. You can be in a huge variety of locations within a very short time".

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