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Does Automatic Funding Suck? The cost and value of automatic funding in small nation screen industries in Northern Europe.

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Abstract (150 words)
Recent years have seen a rise in automatic funding schemes in the screen industries. This article examines the intended and unintended consequences of automatic incentives in smaller screen economies in Northern Europe. It focuses on the Danish Film Institute's decision to abolish automatic schemes including tax incentives, and compares this case to other screen industries where automatic funding is well established or has been recently introduced. Based on discussions with executives and funders at national screen agencies, the article investigates who benefit from specific funding schemes and which screen industry automatic incentives prioritise and facilitate. Through this, it examines the political considerations and value systems that underpin funding priorities, and the perception of automatic funding among policy makers, implementers and stakeholders in national screen industries. The analysis indicates that automatic funding is rarely a proactive measure, but rather a response to failing screen industries or competition from neighbouring funding incentives.

Keywords
Screen funding, automatic funding, inward investment, screen agencies, screen policy

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Introduction

Automatic funding is often portrayed as unequivocally beneficial for screen industries in industry reports, trade and the popular press (as noted by Cucco 2018, Olsberg 2018, 2016). It is seen to boost production and build production capacity in the indigenous screen economies. It, the argument goes, develops, upsskills and retains skilled workers and creates networking opportunities for cast and crew. It also brings investment to local areas, contributes to supporting infrastructure and businesses. It creates screen tourism and facilitates nation branding (Olsberg 2016, 26, 2018, 91, 2019, 143). Therefore, since the millennium, automatic funding schemes and incentives in the screen industries have proliferated across the globe. In the US today, 36 states offer automatic incentives to the screen industry (Leiser 2017, Castendyk 2018). In Europe, the number of automatic funding schemes for the film and television industries jumped from 12 in 2014 to 31 in 2019 (Talavera, Fontaine, and Kanzler 2016, 70-71, Olsberg 2019, 145-47).

This rise in automatic schemes (here seen as comprising indirect incentives e.g. tax incentives and rebate schemes, as well as direct inward investment awards, like point-based inward investment or match funding) has sparked discussion amongst policymakers, screen intermediaries and industry stakeholders about the balance between selective and automatic funding schemes for film and television in Europe. These discussions centre on what kinds of productions and production companies benefit from various funding schemes, and by extension, which screen economy and industry these funding forms encourage and facilitate.

This article focuses its analysis around a case study of The Danish Film Institute’s decision to move away from direct automatic funding schemes. Denmark is among only a handful of European nations without tax incentives and has allocated selective funding exclusively since 2011. The article contextualises this case with references to funding models and screen policies in other small nation screen industries, such as the Netherlands where automatic funding is well established, and Scotland where a direct inward investment initiative, The Production Growth Fund, was recently introduced by the Scottish government, to bolster to existing UK tax incentives.

Funding models vary in national and regional contexts, as does the perceived impact of various funding forms on productions, producers and the indigenous production industry. This article explores the impact and unintended consequences of automatic funding initiatives in smaller screen economies in Northern Europe, from the perspective of the funders and executives working within their national screen agencies. It is based on discussions that took place during three international workshops with screen funders, executives and directors at national screen agencies at the Danish Film Institute (DFI), Screen Netherlands (Screen NL), Creative Scotland, the Norwegian Film Institute (NFI), the Swedish Film Institute (SFI) and
Creative Europe in 2016-17. By giving a voice to the policy implementers, executives and funders who work closely with these schemes in their professional lives, the article aims to nuance the discussion around automatic funding forms. As such, it is the first empirical investigation of how those working within screen agencies assess and perceive the efficiency and merits of automatic funding models and incentives.

Through this exploration of the impacts of specific screen policies and funding priorities on national screen industries in small nations, the article interrogates the underlying political considerations, beliefs and value systems that underpin the balance between automatic and selective funding schemes in these screen economies. The article argues that the automatic and selective funding schemes cannot be seen as simply differing or value-neutral funding mechanisms and models. The balance between these funding forms not only determines the composition of a national screen industry, it also has to be understood as political and economic responses to an international funding context that is increasingly marked by transnational and supranational collaboration, co-production and competition.

**Selective and automatic funding in national film policy**

There are, broadly speaking, two forms of screen funding: automatic and selective funding (amongst others but with particularly reference to the film industries please see Towse 2010, 275-276 and 445, Frey 2011, 371). Both selective and automatic funding can be used to address structural problems within the screen industry. Funding can be targeted to stimulate certain parts of the industry and address market failures, e.g. talent and company development or to support the production of certain genres (e.g. art features, documentaries, drama series, short films). Also, it can be employed to stimulate innovation, emerging industries and the use of new technologies (VR, AGR, games and transmedia); or to tackle issues of equality and diversity (Jansson 2016, 2017, Redvall and Sørensen 2018). It can also be used to attract foreign ‘runaway’ productions and inward investment and build production capacity. Both funding forms, or a mix of both, are used in most small Northern European countries with the notable exception of Denmark.

Selective funding is based on funding decisions made by a film funder/commissioner or a committee of funders at national and international public agencies. Selective funding typically takes the form of loans; award/unconditional funding or grants-in-aid; or match funding. Because selective funding is directly funded from the state or region, and it is often the subject of close scrutiny in the industry and the press. Since selective funding is based on submitting project proposal for a quality assessment, it is generally regarded as ensuring quality projects. This assessment can be based on different criteria, including national cultural
value. Funders and commissioners can follow the development of a project more or less closely during its development and can thus have influence on how it evolves from initial idea to final film (Strandvad 2009, 109, Wiedemann 2009).

Because of the funders’ involvement in the funding decision, selective funding is more labour intensive and time consuming. Also, the individual decision making involved in the evaluations of projects, leaves this funding form open to allegations of being interventionist, normative, and even to accusations of nepotism (Ravid 2018, 47).

**Automatic funding** typically is intended to retain or attract investment in film and television productions to a national or local area (Towse 2010, 275-276, Cucco 2018, 266-268). It is also seen as a way to ‘repatriate’ runaway productions that would otherwise have been produced elsewhere (Johnson-Yale, 2017). The allocation of automatic funding is decided by a point system or a fixed set of conditions; if a producer or project meets the criteria for the inward investment scheme, funding is awarded. Automatic funding, then, has little or no quality assessment of the projects proposed, but rather a focus on local spend.

Automatic funding is a term commonly used in industry parlance and comprises both indirect and direct funding. Indirect automatic funding takes the form of either reward schemes offset by audience success e.g. box office returns or festival acclaim, or tax incentives¹ (Olsberg 2010). Direct inward investment schemes come as a point-based grant-in-aid or as match funding, often offset by a minimum investment which is then matched or proportionally multiplied by a national or regional funder as well as a territorial requirement. This article focuses on direct automatic funding schemes.

**Methodology**

The article draws on analysis of the discussions at three international workshops at University of Glasgow and University of Copenhagen, between May 2016 and February 2017. The workshop series, *Commissioning Creativity and Funding Film*, brought together academics and funders, decision makers and executives from national screen agencies in Denmark, Scotland, the Netherlands, Sweden and Norway to discuss the common challenges that face public screen agencies and policy in smaller Northern European screen economies.

The industry participants were: Claus Ladegaard (Head of Film Funding, Danish Film Institute), Marie Schmidt Olesen (Funder, New Danish Screen), Vinca Wiedemann (Principal, the National Film School of Denmark), Natalie Usher (Director of Screen, Creative Scotland), Scott Donaldson (Head of Film Education, Creative Scotland), Frank Peijnenburg (Head of Screen Netherlands), Elin Erichsen (Head of Production, Norwegian Film Institute), Dag Asbjørnsen (Head of International, Norwegian Film Institute), Yaba Holst (Funder, Swedish
Film Institute) and Agnieszka Moody (Director, Creative Europe Desk, UK). The findings from these workshops were presented for discussion to screen industry representatives at a panel at Glasgow Film Festival’s Industry Focus event, on 23rd February 2017.2

The possibilities and problems posed by digitization, structural changes to the screen industry, and the rise of increasingly transnational, vertically integrated, commercial and corporate media conglomerates, are transforming global and national production and distribution cultures, regimes and economies. As discussed by other scholars focusing on small nation film and television production (e.g. Kelly and Champion 2015, Hjort 2005, McElroy, Nielsen, and Noonan 2018, McElroy and Noonan 2016, 2019), these changes pose particular challenges to the screen industries in smaller nations with distinct cinematic and broadcasting cultures, languages and well-established public screen funding organisations and systems. Some of these challenges are currently being explored in other research projects focusing on the film and TV industries within small nations, such as the Small Nations Screen collaboration between Cardiff University, University of South Wales and the Centre for the Study of Media and Culture in Small Nations (https://smallnationsscreen.org/), the research network Television from Small Nations (https://smallnationsscreen.org/project/television-from-small-nations-network/) and – with particular emphasis on screen agencies – the AHRC funded project ‘Screen Agencies as Cultural Intermediaries’, headed by Dr Caitriona Noonan (https://smallnationsscreen.org/project/television-from-small-nations-network/).

The intention of the Commissioning Creativity and Funding Film workshops was to compare the screen policies, strategies and practices of smaller nations in Northern Europe with comparable screen economies with well-established screen industries supported by publicly funded and subsidised national cultural organisations, screen agencies as well as national broadcasters with public service remits. The first workshop focused on external pressures on national agencies from national and international policies as well as global media players; the second on the role of the funder and decision making process and the third on international co-productions and collaborations. Each national screen agency has distinctive policy frameworks and organisation, different priorities and approaches to screen funding, as well as varying levels of state and private investment in the respective screen industry. They therefore each offers unique perspectives on these issues.

This article draws on the discussions around funding priorities in small nations during the workshops. In particular, the article focuses on the perception of the effectiveness of automatic incentives as a funding form amongst national screen agencies and funders, in the context of an increasingly collaborative and competitive global screen industry. The article therefore compares national screen industries with diverse funding priorities, and situated in
distinct as well as differing topographic, linguistic and geocultural contexts (Straubhaar 2008, Cucco 2010, Hesmondhalgh 2013, 278), as exemplified by Denmark, Scotland and the Netherlands. We will return to the specificities, significance and importance of these factors and contexts in the analysis below.

In addition to the empirical data from the workshops, the article builds on policy documents and data from national and regional screen agencies in Northern Europe and the US; screen industry reports and indexes from observatories, regulators and stakeholders; and slides and presentations from funders at key industry gatherings and events.

**Between screen policy and practice**

Cultural policy scholars Paquette and Redaelli (2015) argue that one should think of cultural policy as different cycles, marked by a ‘sequence of four interrelated steps that almost always include emergence [or agenda-setting], formulation, implementation and evaluation’ (p. 63). Our research is focused on the implementation of automatic funding and how this is perceived by the policy implementers working within the national agencies, who are enacting and thereby testing formulated policy solutions in the real world, based on which a next policy cycle is designed (p. 63-65).

In this framework, screen funders in national screen agencies implement screen policy in practice, and in doing so, they also help to shape policy. This indirectly through their actions and the success or failure of their funding initiatives and their respective screen industries, and directly in consultation with policy makers, because screen agencies are to a larger or lesser extent involved in policy making. As such, the dynamics between screen policy and screen funding practice, as enacted and interpreted in the work of screen agencies are at the same time structured and structuring (as for example also described by Bell and Oakley 2015). This constantly evolving dynamic between policy and practice is fundamental to the theoretical framework of this analysis.

In the recent anthology *Reconceptualising Film Policy*, Cunningham stresses how film policy is ‘deeply normative’ and an expression of ‘human values, interests and conflict’ (2018, xi and xii). In the same book, Mingant and Tirtaine describe film policy as essentially political and used not only to further creative and cultural industries, but to advance political goals and aspirations in civic society (2018, 4-7). The purpose of screen policy is to promote and facilitate a specific kind of screen production and economy, because national governments deem this desirable. Automatic funding forms are not, then, value neutral mechanisms but an expression of policy and politics (Doyle et al. 2015, 3-5).
Several scholars have explored the increasingly economic imperatives and neo-liberal underpinnings of current creative industries and cultural policy in the UK and Europe (Schlesinger 2007, Seaman 2011, e.g. Bell and Oakley 2015). Schlesinger notes that instrumentalism in cultural policy is now adopted as ‘global orthodoxy’. He writes that the ‘creative economy has increasingly obscured and crowded out conceptions of culture that are not in some way subordinate to economic considerations’ (2017, 3-5). This pervasive and prevailing economic turn is also noted in current screen policy and industry literature (Towse 2010, 282-285, Doyle et al. 2015, Ramsey, Baker, and Porter 2019). Investigating the rise of fiscal incentives in film funding schemes across Europe, Cucco (2018) connects the rise of automatic incentives across Europe since the 1990s with three recent and intertwining trends: a general decline in public direct funding for film, the proliferation of subnational and regional film commissions and film funds in the 1980s and 1990s, as well as the shift of thinking of creativity as an ‘economic’ rather than cultural or artistic value and as an instrumental driver of societal development (Schlesinger, 2007 as cited in Cucco, 2018). This, Cucco argues, has led to a shift towards thinking of film funding as an ‘investment’, rather than a ‘cost’ to the state (2018, 266). He warns that this development precipitates a primary interest in film funding and policies which yield returns and tangible benefits, at the expense of valuing a project’s artistic or cultural merit, the pleasure or debate it generates within society, and the ‘mid to long-term influence exercised over the cultural system within which these products circulate’ (2018, 268).

The cost of automatic funding

On an economic level, there is no doubt that automatic funding in its nature does bring work and activity – be it local, repatriated or international – to a nation or region, with the benefits this entails in terms of upskilling and networking. Returns from tax incentives and direct automatic funding schemes are of course quantifiable, and the British Film Institute (BFI) provides an annual breakdown of film funding via tax incentives and the projected returns to the UK economy (2018). In Scotland the precondition for qualifying from funding from the automatic Production Growth Fund is an inward investment of 1:8. That is, for every allocated £1, the production has to provide £8. However, recent scholarship has questioned who foots the bill and who benefits from automatic funding schemes, and queried its long-term impact. Critics have noted that Hollywood has been the main beneficiary of UK tax relief since 1997 (Doyle et al. 2015, p. 58). Steele has taken issue with the disproportionate favouring and funding of especially Hollywood runaway productions through UK tax breaks. He asks, ‘is it right and prudent that the UK taxpayer is granting subsidies to some of the richest corporations in the world?’ (2015, 74).
Recently, the impact on workers rights’, diversity and equality, as well as the long-term effect on the indigenous industry and economy of automatic funding have been called into question (Leiser 2017, Swenson 2017, O’Brien and Lane 2018). In A History of Hollywood’s Outsourcing Debate (2017) Johnson-Yale convincingly links the rise in the number of runaway productions, outsourcing and incentive schemes to the creation of a highly skilled, hypermobile and international workforce, that effectively undermined and dismantled the power of Hollywood’s trade unions and pro-labour movements. In a British context, Newsinger and Presence caution against the impact of runaway productions on the UK labour force. They argue that transnational productions undermine workers’ rights and jeopardise initiatives and policies that promote diversity and entry into the screen industries (2018).

Further, additional returns and benefits to supporting industries and society at large from direct automatic funding schemes as well as returns from indirect automatic schemes are estimations. These are in their nature not precise and also controversial because they are open to manipulations and misrepresentation (Towse 2010, 282-285, Seaman 2011, O’Brien and Lane 2018, 867-8). Indeed, recent research exploring the uptake of tax incentives, economic and industry activity and job creation in the US almost uniformly concludes that the economic impact is all but impossible to measure (Leiser 2017, Swenson 2017, Brady, Jones, and Watson 2018, O’Brien and Lane 2018). The likely impact of the incentives is at best modest, and at worst fleeting with no lasting impact on the screen economies (Adkisson 2013, Swenson 2017, Ramsey, Baker, and Porter 2019). Research on automatic funding in the US shows that only the states of New York and California have reaped clear economic and employment benefits in the long term. However, these long terms effects are driven by multiple factors e.g. the cultural status, the concentration of dominant firms, and the diverse workforce and facilities already established in these places. Conversely, other states are competing amongst themselves, ‘crowding out’ the possible effects of incentives, and in this process subsidising incoming productions without a discernable long-term effect on the indigenous industry (Swenson, 2017; O’Brien and Lane, 2018).

These developments in the US resonate with Ramsey, Baker and Porter’s analysis of the impact of Game of Thrones on the Northern Irish screen industry and economy (2019). Automatic funding of runaway production brings about an ‘economic and cultural deterterritorialisation of the region’ (p. 14) that benefits the incoming production, not the indigenous industry. This, they argue, calls into question not only the benefits to the Northern Irish labour market, but also the overall value for the Northern Irish screen industry and wider society.
Leiser’s research on the uptake of tax incentives in the United States supports this point. Although also documenting a ‘bandwagon’ effect of US states adopting tax breaks to compete with other states, she notes that even though automatic funding schemes proliferated in the 2000s with 45 US states adopting this funding form by 2009, no incentives have been introduced since (2017). In fact nine states have discontinued or dropped incentives and today only 36 states remain (Castendyk 2018, 603). Leiser convincingly speculates that there is a correlation between the ‘sophistication’, ‘professionalism’ and size of an industry and the propensity not to adapt incentives. This, she suggests, may be because heightened industry knowledge brings awareness of the lack of evidence for the effectiveness of tax incentive schemes (2017).

Following these lines of enquiry, and with specific reference to the DFI’s decision to abolish automatic funding, this article explores how automatic funding incentives are perceived by those who work in national screen agencies, and implement policies and allocate funding in their day-to-day job. As automatic incentives proliferate in Europe and this ‘global orthodoxy’ of instrumentalism is increasingly rarely questioned outside of academic circles, the purpose of this article is to nuance our understanding of this dominant funding model in screen policy and the portrayal of automatic funding as value-neutral.

**Denmark: from automatic to selective funding**

Most national film economies have some sort of automatic funding, typically targeting the production of mainstream films or rewarding popular films based on their ticket sales. In Denmark, too, automatic funding was until 2011 used to stimulate commercial propositions for Danish language films.

The Danish support system has had two strands of funding since the late 1980s (Pedersen, Darmer, and Mathieu 2013, Bondebjerg 2016): the consultancy/commissioner scheme (‘konsulent-ordningen’) and the market scheme (‘markedsordningen’).

The commissioner scheme, where projects are assessed and selected by film commissioners based on artistic criteria, has existed more or less in the same form since 1972, As discussed in then film commissioner Vinca Wiedeman’s competency report on the work and role of the film commissioner in the Nordic countries – or as the title puts it, ‘the art of individual decision-making’ – selective funding is no easy task and raises a number of questions about how to define artistic/cultural value or quality and about the degree of commissioner influence on proposed projects and the relationship between commissioner and applicant in this process (2009). However, the selective scheme has widespread support in the Danish industry and receives most of the funding. In 2018, the DFI allocated around €40 million for development,
production and distribution subsidies. €26 million was spent on the production of feature films, 15 films through the commissioner scheme and seven films through the market scheme (DFI 2019).

The market scheme, the other strand in the Danish production system, focuses on the production of mainstream films, targeting national producers rather than transnational productions, to ensure that there is a domestic production of popular films in Danish (that most often don’t travel or attract attention in the film festival circuit). This strand has taken on several different forms since its establishment in 1989, where the so-called 50/50 scheme was established to grant automatic support to producers who could find 50% of the budget for a film that would be expected to sell a certain amount of tickets, and the DFI would then match this amount up to a certain level. This was later changed to the 60/40 scheme in the producers’ favour before becoming ‘the market scheme’ in 2011.

The commissioning process in the 60/40 scheme was based on anonymous external experts assessing the proposed projects according to a point system focusing on the track record of the people behind the project as well as the commercial potential of the project. From 2011, this was changed into a committee of five assessors reading and discussing the projects, two representatives from the DFI and three representatives from the Danish film industry (appointed for a two-year period by Danish Film Directors, Danish Producers’ Association and the Association of Danish Film Distributors (FAFID)) (DFI 2020). One reason for this was that the automatic, anonymised point system was regarded as non-transparent and left no way of placing responsibility for the decision-making. Another reason was the conviction that discussions about quality and value are also needed in relation to the funding of popular films as we will discuss shortly.

While Denmark thus has a well-established two-strand funding system targeting film with artistic/cultural value and mainstream films respectively, there are no inward investment schemes or tax incentives targeting international producers, despite several industry players, e.g. The Copenhagen Film Fund, lobbying for this for several years.

Scotland: the Production Growth Fund and UK tax incentives as automatic funding to attract international investments and spend

In Scotland, £20 million is allocated annually to film education, audience development and access, as well as the development and production of both film and high-end TV productions through selective and automatic funding schemes.

Between 2010–2019 the screen agency in Scotland (previously Scottish Screen, and now Screen Scotland) was subsumed under and screen funding allocated by the general
national arts funder, Creative Scotland. This led to widespread, and arguably justified, criticism of a lack of appreciation of the distinctive features and needs of the Scottish screen economy, as well as a notorious underfunding and deprioritising of the Screen division under Creative Scotland’s management. This critique was spearheaded by the association Independent Producers Scotland (IPS) that lobbied for the reintroduction of a bespoke national screen agency and increases in budget for the Scottish Screen sector. This ongoing disquiet led to two inquiries in 2015 and 2018 by the Scottish government into the state of the Scottish screen sector. There were two notable offshoots of these enquiries: firstly, the establishment of a direct inward investment incentive fund, the Production Growth Fund, during the 2015 enquiry. Secondly, the 2018 inquiry led to the reinstatement of a new and bespoke screen industry agency and funder, Screen Scotland, a consolidation of the Production Growth Fund as well as a doubling of the national screen funding budget. Screen Scotland launched in August 2018 with an annual budget of £20 million.

Scotland has, as part of the United Kingdom, access funding from the BFI as well as to UK-wide tax breaks that are designed to attract high-profile productions, franchises and A-list cast and crew to the UK. It has similar topography as neighbouring Wales, Northern England and Northern Ireland and is part of the same cultural and geolinguistic sphere. Scotland has, like Wales and Northern Ireland, its own parliament and devolved legislature, with responsibility for cultural policy and caretaking of their respective screen industries. The result of this is that competition between the UK nations and regions is fierce.

With a budget of £2 million in 2018/19, the Production Growth Fund offers non-recoupable awards of between £200 and 500K as match funding to incentivise international high-end TV series and film production and keep national productions in Scotland. This in order to compete with neighbouring Northern Ireland and Wales that both also offer studio space and postproduction facilities to large scale and high-end film and TV drama productions (Screen Scotland, 2018/9). The Scottish government credits the Production Growth Fund with giving Scotland a competitive edge in relation to Wales and Northern Ireland, nations that also benefit from UK-wide tax incentives. The Production Growth Fund and inward investment incentives are seen to help attracting international titles to Scotland, recently David Mackenzie’s Outlaw King (2018), and establishing the Outlander (2014-) production base in the country (Kelly and Champion 2015). These productions create great headlines and raise the image of a place as culturally and creatively industrious. They also create an international and outward facing profile and clout for a national screen industry, which can bring tourism to the local areas and with luck, is reflected in the national and international press and at awards ceremonies across the world.
The Scottish government estimates that the initial £3.7 million invested through the Production Growth Fund to date has returned £60 million to the Scottish economy (Screen Scotland, 2018, Scotland 2018). Thus it has firmly placed and continues to place both its faith and investment in Scotland’s future screen industry in this automatic inward investment model.

Automatic funding also has approval from policy implementers, the screen agency and industry in Scotland. The then Director of Screen Natalie Usher and Head of Film Education Scott Donaldson both noted in the workshops that it was unlikely that the government would increase the national screen budget to match that of its Scandinavian counterparts, and that abolishing tax breaks would not offset an equal rise in selective funding. In the light of this, any kind of investment was seen as better than none. The Production Growth Fund is therefore a fiscal instrument to build a screen industry that is currently receiving significantly less funding than its Danish counterpart.

The Netherlands: automatic funding and aggressive neighbours
In addition to a host of selective funding schemes, Screen NL offers an additional direct cash rebate of 30% of the budget for feature films and 35% for TV drama through their Production Incentive Fund, worth a total €19.25 million in 2019 (Screen NL, 2019, 147, Olsberg 2019).

The Netherlands is part of Benelux, Scotland is part of the anglosphere (Schlesinger and Benchimol 2014) and Denmark is part of Scandinavia, and as such all nations belong to wider ‘geocultural markets’ with cultural activities and consumption organised according to linguistic spheres rather than national borders (Straubhaar 2008, Hesmondhalgh 2013, 278). This is reflected in all their screen policy, the activities of their agencies and their industries. The Nordic nations collaborate creatively through their screen agencies and also fund projects through Nordisk Film & TV Fond. The UK nations and regions often co-produce and all have, as already mentioned, access to funding from the BFI and UK tax credits. However, unlike Scotland and Denmark and crucial for its funding structure, the Netherlands’ neighbouring Belgium offers some of the most aggressive automatic funding schemes in Europe. In addition to the automatic tax haven, the Belgian Tax Shelter, established in 2003, Belgium also awards direct support of up to €400K for Dutch language productions through the regional screen commission Screen Flanders, as well as co-finances audiovisual productions with 50% of their budget already in place, through the film fund Vlaams Audiovisueel Fonds (VAF) (Willems et al. 2018).

At the workshops, Frank Peijnenburg advocated against automatic funding schemes, but conceded that the Netherlands cannot abolish their cash rebate of up to €19 million a year.
because its neighbour Belgium has these aggressive automatic incentives (Willems et al. 2018, Olsberg 2018).

**Why ‘Automatic Funding Sucks’: abolishing automatic funding in Denmark**

In 2011, the DFI, as the only funder in Europe, abolished its automatic funding schemes. Claus Ladegaard, since 2018 the new CEO of The DFI and at the time of the workshops the Head of Production, argued that deselecting automatic funding had in fact increased the box office and festival success of films funded by the DFI (Ladegaard, 2016, slide 19).

Ladegaard argued that the unintended consequences of automatic funding outweighed its benefits. This so much so that at the opening of his presentation at the annual Medici workshop for international screen funders in Switzerland in September, 2016, Ladegaard bluntly stated that, ‘automatic funding sucks’ (2016, slide 1 and 23). In this presentation and on numerous occasions during the *Commissioning Creativity and Funding Film* workshops, he based this conviction on the tensions between emphasising quality versus commercial success related to, firstly, the funding process and the importance of strong development collaborations in order to ensure the quality and originality of the productions, and secondly, concerns about the impact on the local workforce and screen industry.

**Quality, originality and co-creation**

In relation to the first point, Ladegaard argued that automatic funding is a process of quantitatively assessing a product, rather than evaluating its artistic value or trying to improve its quality or mainstream appeal. This automatic funding process inherently emphasises the quantitative factors that can be counted, boxes that can be ticked and the commercial potential of a film rather than its cultural and artistic value or quality. In the funding workshops, Ladegaard was joined by Screen NL’s Frank Peijnenburg in arguing that automatic funding schemes often lead to ‘a race to the bottom’ in terms of overall quality. They argued that because automatic schemes by design count and favour certain aspects of a production, for example, big budgets (match funding), commercial storylines (criteria of projected revenues) and established on- and off-screen talent (track records); automatic schemes favour certain kinds of, often, commercial and mainstream films. Some economists, e.g. Frey, have argued that public funders tend to support ‘safe’ projects, and automatic schemes facilitates creative risk-taking (Frey 2011, 371), but Ladegaard and Peijnenburg rejected this. Both counter-argued that automatic funding tends to drown out niche projects, originality and new voices because it is not possible to assess the project on its own merits. Rather, point-based schemes award
points to and favour people and projects that look good on paper, with a very limited openness for artistic risk-taking, originality or creativity.

In terms of creative input and the creative process, the development stages of a film is an important and integral part of selective film funding. According to Ladegaard, selective funding schemes are the best way to secure cooperation and development to facilitate the emergence of the strongest projects possible. Conversely, film funders have limited creative input into automatically funded productions because these do not allow for staged development of projects. This hinders creative collaborations between funder and project because the projects arrive with the funder after the development stage. If funded solely through indirect tax incentives the production team and decisions are of course entirely out of the hands of the funder (Acheson 2011, 225). This disallows any intervention or influence on the overall originality, cultural distinction and artistic quality of productions.

In the workshops the Scots conceded that this is an issue, and that direct and indirect automatic incentive schemes obviously do not allow for funder assessments. However, both Usher and Donaldson stressed that awards allocated through the direct Production Growth Fund were subject to quality control. It was not entirely clear in the workshops precisely what this quality assessment consisted of and the guidelines for the Production Growth Fund do not list criteria other than financial ones (Scotland 2018/19). We were told, maybe jokingly, that for example the Production Growth Fund ‘does not fund porn’ (although those who have watched Outlander might query their definitions of this).

Yet, amongst the Commissioning Creativity and Funding Film workshop participants there was consensus that some element of nuanced quality assessment of projects was necessary to ensure its originality and creative merit.

The cost of automatic funding

Ladegaard and Peijnenburg questioned if automatic funding does in fact stimulate the local screen economies and challenged the rationale for the rise in fiscal incentives funding in Europe. They queried this from the perspectives of the assumed benefits for the indigenous industry as well as out of considerations of public value and returns from automatic schemes.

Firstly, automatic funding schemes have less tangible opportunity costs for the indigenous industry. Attracting international and large-scale productions may well retain talent in smaller areas and industries. However, this could be at the expense of the development of a sustainable national industry, home grown companies and productions of artistic merit. Transnational productions are often of a scale that utilises the majority of talent in a small screen economy. It follows that when cast and crew are engaged on runaway productions, they
are unavailable to work on indigenous productions, or develop, pitch and produce their own projects and ideas. Belle Doyle from Women in Film and Television Scotland has noted that indigenous short film production in Scotland now revolves around when Outlander is not filming (conversation with author, April 2019).

In Scotland, a trainee scheme created by and run on the set of Outlander is intended to fill skills gaps, develop a new generations of crew and benefit the indigenous Scottish screen industry in the long term (Kelly and Champion 2015). However, Johnson-Yale argues that the outsourcing of Hollywood and transnational large-scale productions have created a hypermobile, highly skilled and expert international workforce, who predominantly occupy the above the line and heads of department roles on runaway productions. It is this workforce that benefits from the inward investment (2017). For this same reason, Newsinger and Presence note that although inward investment retains and upskills high-end cast and crew, this talent benefits the incoming, not the indigenous, productions (2018).

At the workshop, Ladegaard argued, in line with the above, that automatic funding disproportionately favours companies of scale, and most often international – not national – companies or global brands. This, he argued, because it takes size, internal and manpower to make it worthwhile to benefit from these kinds of schemes. Smaller indigenous companies are not able to devote time to plan how to maximise gain from global tax incentives. In the UK this is certainly the case, and Doyle et al. (2015), Steele (2015) and Newsinger and Presence (2018) note that the vast majority of production spend is taken by international corporations as described above. Steele argues that this further undermines the British screen industry because automatic funding, then, is linked to and also strengthen the distribution and promotional muscle built into the business models of transnationals like Apple, Amazon and Google (2015).

In smaller European nations composed predominantly of small to medium sized companies, it is rarely the indigenous companies that benefit from automatic funding schemes. This is corroborated by recent research on Ireland and Lithuania that demonstrates that the companies that would have the manpower to strategically apply for these funds simply do not exist in smaller nations (Mitkus and Maditinos 2017, Flynn 2018). The automatic incentives therefore benefit global and transnationals. It is telling that, although Outlander which is filmed in Scotland and hailed as ‘original UK content’ in BFI’s Screen Business report (2018, p. 11), it is produced by the Japanese-owned global media brand Sony with an international cast and crew. HBO’s Game of Thrones, filmed in Northern Ireland, is another example of a tax-incentive production produced by global brands. Ladegaard argued during the workshops, that reliance on inward investment creates precarious and fragile indigenous industries. With HBO’s
Game of Thrones as an example, he made the case that this series supports the entire screen ecology in Northern Ireland, partly financed by EU funding and tax breaks. Echoing Ramsey et al.’s findings that question the benefits and legacy of this production in Northern Ireland (2019), Ladegaard cautioned that this leaves the national sector depending on external factors which it cannot control, for example the likely advent of Brexit and storylines coming to an end.

Concluding remarks: National policy in an international context

There is a perennial and historical tension between cultural and economic interests and priorities in screen policy (Andersson, Sundholm, and Vesterlund 2013, Doyle et al. 2015, Kelly 2015). This tension and wider debates about what screen funding ‘should do’ is reflected in the balance between selective and automatic funding schemes and models that a country chooses to implement. As discussed in the above, national film policies are national politics, but they also exist in cultural and geolinguistic contexts and as part of a global screen economy with a range of different players.

Automatic funding schemes are, as this article has demonstrated, often hailed as beneficial to national screen economies by industry and in the popular press. However, this depiction rarely specifies who precisely benefits and in which ways. Also, this depiction often ignores the supra-national contexts and the impacts on the indigenous screen industry (Cucco 2010). Crucially, and as this article has demonstrated, this perception is called into question by policy implementers and screen executives at national funding agencies. In the workshops, all participants raised concerns about the impact of automatic funding on the quality, integrity and artistic merits of productions, and questioned the impact on the indigenous workforce and industry. Moreover, as exemplified by the Danish case, many policy implementers would welcome some kind of quality assessment in funding schemes aimed at artistic films, as well as for popular and mainstream films or international productions. As argued by Ladegaard, quality assessments enhance productions overall. In short, there are better odds of obtaining stronger commercial films with better box office potential, if one also has discussions about quality in relation to films targeting wide audiences and the mainstream, as well as more niche, art house productions.

National screen policy and its implementation is often discussed and portrayed as autonomous and about sovereignty. It is about nurturing national screen talent; sustaining the national economy; and safeguarding national cultural and artistic values. The idea of cultural and political integrity as well as the possibility of proactively intervening in the screen industry through policy is a fundamental in this principle. The Danish decision to abolish automatic funding is an example of this. However, what the Danish case also illustrates is, that this
decision to have, or not have, tax incentives and automatic funding schemes is very much
determined by internal economic and political conditions as well as external and international
contexts.

Firstly, it depends on the buoyancy and confidence of the particular national economy. Denmark has a well-funded and flourishing screen economy with international reach, clout and acclaim and is therefore able to reject automatic funding. Secondly, the ability for nations to formulate and enact cultural policy, very much depends on the policies, activities and funding forms of neighbouring nations that are often the main competitors. If the screen economies within a national screen industry’s immediate geolinguistic sphere have aggressive automatic schemes, it is hard not to also adopt these, as described above in relation to Scotland and the Netherlands. While Denmark still has no tax incentives, new discussions on looking into the possibility of establishing these were ignited in 2019, following rumours of Sweden’s possible launch of tax schemes in 2020 (Reseke 2019).

Prioritising quality and originality, a thriving indigenous workforce and production ecology and the ability to choose and safeguard this, above the economic activity and international clout that automatic funding schemes can generate, is, in many ways, a luxury. National cultural policy does not operate in a vacuum and even if national policy implementers have clear ideas about the best funding schemes for encouraging national quality productions, many other factors are at play when politicians and screen agencies decide how to structure their film funding initiatives.

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There are three types of tax incentives: tax shelters, tax rebates and tax credits. Tax shelters stimulate investment from high-net worth individuals or high-tax paying firms who can deduct investments in productions from their tax bills. Tax rebates return a percentage of qualifying production expenditure to the producers after spend has occurred and taxes have been audited and collected. Tax credits are similar to rebates but reduce a percentage of qualifying expenditure from the producer’s tax liabilities on a corporate annual tax return. Tax credits and rebates are transferable, that is, can be sold to a third party and borrowed against (Towse 2010, 275-276 and 443-461, Frey 2011, 371, Olsberg 2018, 89).

A description of the workshop series can be found at https://www.gla.ac.uk/schools/cca/research/ccpr/researchinccpr/commissioningcreativityandfundingfilmworkshops2016-17/