



Teledwyr Annibynnol Cymru
Welsh Independent Producers

www.tac-cymru.co.uk

Paper for Future of Public Service TV review

About TAC

1. Teledwyr Annibynnol Cymru (TAC) represents the independent TV production sector in Wales. The sector is comprised of around 55 active production companies, based in communities throughout Wales.
2. Our members make a range of content, in English, for the UK PSB networks and beyond, as well as in Welsh, for S4C and BBC Radio Cymru. In doing so they seek to innovate and to bring the perspectives, stories, ideas and talent of people all around Wales to viewers not just in that nation but across the UK and beyond - Welsh producers also increasingly export TV programmes and formats abroad.
3. TAC also negotiates Terms of Trade, provides advice on business affairs support and is involved in developing skills provision, working with Creative Skillset.

The Future of Public Service TV

4. TAC welcomes the independent Review of the future of public service television in the UK, and greatly welcomes the commitment to the project of Lord Puttnam, whose long experience and clarity of vision is a great asset to such an exercise. We very much hope the following views will be of benefit to the process.
5. The Review rightly notes that, in the face of pressure from a proliferation of media content producers and platforms through which content is consumed, public interventions in TV are under strain. TAC would agree that there are certainly challenges to the traditional ways of producing and distributing content, which will test the existing interventions, but we are optimistic about the future providing the correct measures are put in place.

Public service TV and Wales

6. The Review needs to note the importance of safeguarding the interests of Welsh viewers and citizens, along with the creation of content that reflects the communities in which people live (i.e. the diversity of UK communities are adequately reflected). Also, that viewers in Wales should be able to develop a better understanding of Wales, its culture, news and politics through PSB. This obviously also applies to the other nations.

7. Ofcom defines public service TV as ‘programmes that are broadcast for the public benefit rather than for purely commercial purposes’¹. This definition rightly acknowledges that the two are not mutually exclusive - for example e.g. Indus Films’ *Mekong River with Sue Perkins* can easily be defined as PSB yet is also a hugely successful programme which has been sold into a range of countries including Germany, Finland, Denmark, Norway, Sweden, Italy, New Zealand, Africa. Crucial for a company such as Indus being able to do this has been the protection of the intellectual property (IP) rights of independent TV producers in Section 285 of the 2003 Communications Act².
8. UK Independent production companies are, through the ability to choose their own distribution and marketing strategies, able to maximise the impact of the programmes they make, which contain many examples of PSB programmes. These programmes will initially be made for one of the UK networks, either the PSBs or the cable and satellite broadcasters, or the Welsh language broadcaster S4C. Increasingly the Welsh production sector is engaging with partners overseas on co-productions, for example Rondo Media’s collaboration with South Korea’s JTV on the documentary *The man who shot Vietnam*, a hard-hitting documentary telling the story of Welsh war photographer Philip Jones Griffiths³.
9. Ultimately such activity is based on the underpinning of the production of PSB content via a series of interventions: the publicly-funded BBC, which operates across TV, radio and online; the commercially-owned and funded ITV and Channel 5; the publicly-owned but commercially-funded Channel 4; and the independent production sector, made up of a wide range of companies whose ability to compete and conduct fair negotiations with broadcasters is underpinned by programme quotas and regulated Terms of Trade.
10. All of the above face threats at present: the BBC’s funding is falling in real terms; ITV could be sold to overseas interests; Channel 4 faces the threat of privatisation; and the indie TV Terms of Trade are being considered for review by the Government.
11. Having a distribution of content creators works not just for creative competition generally, but to ensure that there are indies based across the country, embedded in their communities, who can reflect to the rest of the UK the stories, perspectives and ideas from their area. This has become a greater priority for audiences and an area where there is a disconnect. The BBC and ITV have Wales-based services but this has not resulted in large-scale investment in production from across Wales. The BBC’s investment is focussed in Cardiff and ITV has also invested in one or two production sources but not so much across the nation. There is a failure to ensure that network commissioners are a visible presence in the nations, and it is not in our view credible for some broadcasters to imply that this is somehow prohibitively complicated and/or expensive when all it requires is a few regular journeys and overnight visits spread across the year.

¹ http://ask.ofcom.org.uk/help/television/what_is_psb. Accessed 11.2.16

² <http://www.legislation.gov.uk/ukpga/2003/21/section/285>. Accessed 11.2.16

³ <http://www.walesonline.co.uk/business/business-news/rondo-media-starts-filming-vietnam-10489937>. Accessed 11.2.16

Investment in production in Wales is falling

12. Broadcasting in Wales has seen a reduction in investment, due to a number of factors. The BBC has, through Delivering Quality First and other initiatives, reduced spend around the nations. In addition while the BBC continues to make high-quality drama at its production village in Roath Lock, Cardiff, these productions do not represent or portray Wales, Welsh life or its people and culture. In short they could be made in any location. This does not satisfy the BBC's requirement to represent the nations and regions of the UK in its output.
13. Welsh independent producers, based in communities around the nation are in a position to accurately reflect all those features of Welsh life, adding more colour and variety to public service content. But a look around the UK networks shows that ITV's investment in the nations is declining, Channel 4 continues to work with a range of indie production companies but faces challenges, and Channel 5 is again not engaged in any regular attempt to reach out to producers across Wales or indeed any of the nations.
14. As Ofcom has pointed out, 'The BBC dominates English-language programmes made specifically for Wales, producing 592 hours in 2013, compared to ITV Wales' 331 hours. But both broadcasters produced significantly less in 2013 than in 2008 – a 17% reduction on the BBC (down from 716 hours) and a 31% reduction on ITV (down from 477 hours). While there has been a reduction in both broadcasters' output of news for Wales (with current affairs output remaining constant across the period), the greatest decline has been in non-news/non-current affairs programming, with a decline of 80 hours on the BBC and 124 hours on ITV Wales. Most of the decline on ITV Wales occurred in 2009, following a reduction in the licence quota'⁴.

S4C

15. In terms of PSB and the Welsh language, independent TV publisher-broadcaster S4C's overall budget from mixed public funding has fallen dramatically, from over £100m in 2010 to around £82m at the present time. Accounting for inflation S4C estimates this represents a 36% cut in real terms⁵.
16. In the face of this, S4C has worked hard to make efficiency savings. It has reduced staff, and overheads such as transmission costs, partly through being able to share those costs with the BBC. S4C now estimates its overheads to be just over 4% of its expenditure⁶, which is a low figure compared to most comparable organisations.
17. It has also reduced programme budgets. For its part the Welsh indie TV sector has sought to make efficiencies to absorb this reduction in budgets. We have been helped to some extent via reduced costs of some equipment, using fewer filming days and increased multiskilling of the workforce. But as Ofcom reported in its recent third PSB Review:

⁴ Third Public Service Broadcasting Review: Public Service Content in a Connected Society. Ofcom, December 2014, p63, para 3.147

⁵ Future of Welsh language broadcasting. S4C, 2014, p06-07

⁶ Future of Welsh language broadcasting. S4C, 2014, p42-43

'analysis suggests that demand for production staff and studio costs is now increasing, and savings – in terms of producing the same programmes with smaller crews and fewer filming days – have largely been realised'⁷.

18. Like the TV production sector as a whole, our members always make content to a high standard and seek to research and develop new ideas and approaches to making engaging content. But we can only do so given the appropriate budget, so the reality is that if S4C has less content budget it can commission fewer hours.
19. And there is now a need to look forward to future investment in new and rapidly developing technology, and this requires further investment by the independent sector and by broadcasters.
20. TAC is therefore pleased that the Government has halted planned cuts to the grant from DCMS that part-funds S4C⁸, pending a review of the service to commence following BBC Charter Review.
21. Following this it has been announced by the BBC Trust that there will also be a freeze in the proportion of the TV Licence Fee that goes to S4C⁹. At the very least this delays a planned cut of 10%, a likely figure recently suggested by BBC Trust Chair Rona Fairhead when giving evidence to the Welsh Affairs Select Committee¹⁰.
22. Any such cut would have represented a major reduction in S4Cs budgets and have significant impacts on its ability to maintain its current volume of PSB programmes, with a damaging knock-on effect to the Welsh independent production sector.
23. Looking ahead to the planned review of S4C, TAC will be arguing that S4C urgently needs an increase in investment, in order to ensure it can continue to commission a wide range of quality public service content, but also to make sure its content is available across all platforms. It is often noted that S4C is the only Welsh language TV channel in the world, which can sound spurious until one considers that Welsh is one of the oldest living languages in Europe as well as being the oldest in Britain and is very much alive and well in the nation. Moreover since the S4C service went live on the BBC i-player (one benefit of the BBC-S4C 'partnership') its viewing figures have increased and therefore it clearly shows the benefit of S4C being able to be on more platforms but this does not end with the iPlayer – S4C needs the financial and regulatory ability to be across all platforms.

Channel 4

24. TAC recently wrote to the Chancellor of the Exchequer voicing its concerns over the possibility of the Government privatising Channel 4¹¹. We listed concerns including the possibility that private owners would seek to remove Channel 4's publisher-broadcaster status and therefore

⁷ Public Service Broadcasting in the Internet Age: third review of PSB. Ofcom, July 2015, p9

⁸ <https://www.gov.uk/government/news/uk-government-protects-funding-for-welsh-broadcaster-s4c--2>

⁹ http://www.bbc.co.uk/bbctrust/news/press_releases/2016/s4c_funding

¹⁰ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/welsh-affairs-committee/broadcasting-in-wales/oral/28337.html> - see Q231

¹¹ <http://www.tac-cymru.co.uk/wp-content/uploads/2015/11/Channel-4-Television-TAC-letter-Nov-2015-FINAL.pdf>

lose that unique ingredient which has so boosted UK creativity; take money out of the production cycle in order to pay owners and/or shareholders; adversely affect the broadcaster's commitment to commissioning productions from the UK nations; and make it more risk averse, leading to fewer innovative commissions from a smaller pool of production companies.

25. Channel 4 has a good track record of working with a wide range of companies including new entrants to the market and smaller companies, those companies will have some proven talent but sometimes need closer working with the broadcaster to help them negotiate the commission and production process. But they have the core ideas and talent through which Channel 4 is able to continue to be uniquely innovative and risk-taking.
26. We would be greatly concerned by any move to alter Channel 4's public ownership and would like to see the review argue for its continuation as a publicly-owned not-for profit public service broadcaster.

New Platforms and Content Commissioners

27. There are ways in which we can see that the existing PSBs can distribute their content on new platforms. There remains a strong appetite for what is essentially 'TV' content and the UK PSBs remain by far the most prolific commissioners of such content. Whilst the non-terrestrial commercial channels have increased their investment in original UK programmes to some £725m in UK television production in 2013¹² it is still the UK PSBs, despite the decline documented above, that provide the great majority of such content.
28. Ofcom figures indicate that the commercial multichannel broadcasters have a growing focus on advertiser-friendly genres such as Music (+7% in content spend), Film (+16%), Entertainment (+8%) and Sport (+19%), all of which rose in 2012-13. In contrast, their production spend in other, perhaps less advertiser-friendly, genres such as News (-6%), Kids (-14%), and Factual (-15%) fell significantly¹³.
29. Whilst many highlight the rise of commissioned content by Netflix and others, it should be noted that much of this content is focussed on high-end 'box set' drama, sports and music content. As its own website states: 'We are a movie and TV series entertainment network ... We are about the freedom of on-demand and the fun of binge viewing'¹⁴.
30. None of this makes Netflix an unwelcome addition to the production market for the independent production sector, and the service is, it should be said, moving into other genres such as factual and children's, but it should be noted from a UK PSB perspective that Netflix is in the business of producing internationally-focused content which does not reflect UK values and culture. The scale of the UK market, as opposed to, say China or the US is very small and whilst the UK, thanks to the tax credits, is an attractive place to make films, again there is a difference in saying a film is made in the UK as opposed to it reflecting the UK, its people values and culture – the same scenario in fact, as Wales faces in terms of being portrayed to the rest of the UK.

¹² COBA 2014 census: multichannel investment in TV production. Oliver & Ohlbaum Associates Ltd for COBA. June 2014

¹³ Communications Market Report 2014. Ofcom, 2014 p177, Figure 2.53

¹⁴ Netflix's View. Article on Netflix website, updated Jan 2016. <http://ir.netflix.com/long-term-view.cfm>. Accessed 12.2.16

31. TAC believes this demonstrates the ongoing importance of dedicated public service broadcasters which ensure a range of genres are well resourced. However it is important to recognise that the existence of those services does not in itself address the problem – clear commitment to public objectives and sufficiently robust regulation, ensure that they provide genuinely PSB content that the wider market may not. Ofcom said in its third review on PSB:

‘as licence fee income has fallen in real terms, the last few years have seen the BBC reduce its investment in programmes in some key PSB genres such as drama, current affairs, specialist factual and education’.¹⁵

32. Another area of particular concern is children’s programming, rightly highlighted by Ofcom’s PSB review¹⁶ as an area where very few broadcasters are engaging to any extent. It is to be noted that children’s is a strong area for Welsh language broadcaster S4C, whose which broadcasts a children’s service, *Cyw*, made by Boom Cymru.

Terms of Trade

33. Currently the main clients of the independent production sector in the UK are the UK’s PSBs – all of which have to comply with the 2003 Communications Act in acknowledging that producers own their own intellectual property and the broadcasters can therefore only buy a licence to broadcast. There is an accompanying deal on the share of the ‘back end’ proceeds of selling the programme or format to other broadcasters in the UK and overseas, or distributing online and so on.

34. These protections have enabled Wales-based indies, as shown with the examples above, to take their IP and exploit it via further distribution in the UK and overseas, either of the original programme of the format.

35. The continuing protection of producers’ IP rights is crucial to ensure that the UK continues to benefit in both economic and cultural terms from a strong and vibrant indie TV production sector.

Recommendations

36. TAC would like the Review to consider making the following recommendations to Government:

- i. To ensure that the BBC continues to be well-funded through the TV Licence Fee but works in greater partnership with the UK’s creative industries including the indie TV production sector, and that it does so by refreshing its commissioning strategy to allow a level playing field for producers from the UK nations to be able to pitch to commissioners
- ii. That Channel 4 remains in public ownership as a publisher-broadcaster of unique and innovative content

¹⁵ Third Public Service Broadcasting Review: Public Service Content in a Connected Society. Ofcom, December 2014, p28, para 6.7

¹⁶ Third Public Service Broadcasting Review: Public Service Content in a Connected Society. Ofcom, December 2014, pp12-13

- iii. That on the occasion of renewing ITV licencing, consideration is given to the value of its position as a PSB and whether it could be required to adopt a more positive strategy towards engaging with producers in the nations
- iv. That any review of S4C should take into account its need to establish and maintain a presence across multiple platforms, and in order that it can plan ahead for its funding be linked to inflation. If S4C is continued to be funded from the TV Licence Fee that part of the Licence Fee allocated to it should be entirely separate to, and not administered by, the Corporation. Its governance and regulation should not be specifically related to that of the BBC in any way
- v. That all UK PSB network commissioners should be required to produce clear annual timetables for regular commissioning events in each of the nations of the UK