



Submission to the Welsh Affairs Committee inquiry into Broadcasting in Wales

Summary

- The indie TV production sector in Wales has been very successful, but its future is in question if the public money invested in broadcasting in Wales continues to be reduced
- All available 'efficiency savings' have been made – any further reduction in public funding will constitute cuts to original content

TAC would therefore like the Committee to recommend the following:

- A commitment in the BBC Charter to the BBC spending more on original content from the independent production sector, based all around Wales
- Support the BBC abandoning or heavily reducing from 2020 the amount of funding used to reduce Licence Fee costs for the over-75s
- A ring-fencing of Licence Fee funding for S4C, and linking it to inflation
- A clear separation of the BBC and S4C in terms of how they are regulated and governed, and in the administration of their public funding
- Both S4C and the BBC should have separate unitary boards plus external regulation via Ofcom
- There should be no revision to the current Terms of Trade, which protect the intellectual property rights of SMEs in the independent creative TV production sector

About TAC

1. Teledwyr Annibynnol represents the independent TV production sector in Wales. The sector is comprised of around 55 companies, based in communities throughout Wales.
2. Our members make a range of content not just for BBC Wales and S4C but for UK network broadcasters. 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 Wales 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, working with Creative Skillset, is involved in developing skills provision.

The Committee's specified issues

The implications of further efficiency savings on broadcasting in Wales

4. Broadcasting in Wales has already seen a reduction in investment, particularly in Welsh Language broadcasting, where S4C's overall budget from mixed public funding has reduced from over £100m in 2010 to around £82m at the present time. Accounting for inflation S4C estimates this represents a 36% cut in real terms¹.
5. 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 expenditure², which is a low figure.
6. 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 and increased multiskilling of the workforce. However as Ofcom reported in its recent PSB Review:

'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'.³
7. TAC would therefore question the term 'efficiency savings' in this context. In our opinion such savings have already been made to their full extent, and any further spending reductions that S4C or the sector is required to make would be better described as 'cuts to original content'.
8. 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.

¹ Future of Welsh language broadcasting. S4C, 2014, p06-07

² Future of Welsh language broadcasting. S4C, 2014, p42-43

³ Public Service Broadcasting in the Internet Age: third review of PSB. Ofcom, July 2015, p9

9. There is no sensible justification for cutting S4C's content budget, or indeed the BBC's at a time when the appetite for Welsh programmes is growing, as evidenced by the rise in viewing on the i-player, with online viewing figures increasing by 175% from March 2014 to Mar 2015 ⁴. It would be deeply regrettable, culturally and economically, if fewer hours of original programming on the channel led to a reverse in this trend.
10. The BBC claims it may have to make up to 20% 'savings' in current content and services as a result of the recent TV Licence Fee deal, which moved responsibility for free over-75s Licences from the Department of Work & Pensions to the Licence Fee.
11. The BBC invests heavily in creativity, estimated at some £2.2bn overall in 2013-14, of which £1.2bn went to the wider creative industries in the UK ⁵. Clearly a reduction of a fifth of its spend on content can only be damaging to the economy of the UK and by implication that of Wales. In this context TAC feels the BBC would be entirely justified in looking to reduce or even cease altogether the policy of free TV Licence Fees for the over-75s, once it takes control of that policy in 2020, and we would urge the Committee to support that proposition.
12. Free over-75s TV Licences was after all a policy originally produced and paid for by Government, not the BBC.

The suitability of current broadcasting governance and accountability arrangements in Wales

13. Whilst the BBC Trust has been willing to engage with TAC on a regular basis, both in Wales and in London, overall TAC feels the BBC Trust has not been able to effectively carry out its regulator/cheerleader role.
14. Because the BBC Trust is the 'custodian' of the Licence Fee, S4C has found itself subject to scrutiny from the Trust as well as its own S4C Authority and also Ofcom. The Trust has significant powers under the BBC-S4C Operating Agreement, for example it can 'in extremis' withdraw S4C's funding. TAC has long argued that if anyone should have that power, it should be the Secretary of State for Culture Media & Sport, as S4C is part of the UK-wide PSB ecology over which that government department presides.
15. The BBC Trustee for Wales, the Chair of the S4C Authority and the CEO of S4C have on a day to day level been effective in making an imperfect system work to this point. But overall the Trust has largely seen S4C first and foremost in the context of safeguarding the BBC itself. So we have not seen any efforts on the part of the Trust to safeguard S4C's funding against further cuts, either from BBC-driven cost-cutting programmes or from wider cuts to the Licence Fee.
16. The 77-page BBC Trust submission to the DCMS Charter Review Green Paper contains no discussion of S4C's independence or its funding, despite the BBC Trust's direct relationship with both. Of the mere four references to S4C, two relate to Freedom of Information requirements, one to S4C receiving Licence Fee funding, and there is a paragraph which states that:

'[The BBC's] support for indigenous language services has grown significantly during this Charter, with the launch of BBC Alba and the move of independent broadcaster S4C into licence

⁴ S4C Annual Report 2015. July 2015, p15

⁵ The contribution of the BBC to the UK creative industries. Frontier Economics, 2015, p3

fee funding, alongside BBC Radio Cymru, Radio nan Gàidheal and elements of BBC Radio Ulster/Foyle. The Trust believes that these services are an important part of how the BBC serves its audiences in the nations and that they should continue.’⁶

17. This paragraph is at best ambiguous and at worst disingenuous – is the reference to S4C as ‘independent’ referring to before or after it was ‘moved into licence fee funding’? Either way it is surely inaccurate to describe S4C as being ‘part of how the BBC serves its audiences’, as though it were somehow an extension of the BBC.
18. For the Trust to claim that S4C’s purpose is to achieve the BBC’s own objectives is highly unsatisfactory, as this was not the intention behind the Government’s decision to partly fund S4C from the TV Licence Fee. Rather the Government has stated on many occasions, both in Parliament and in writing, that S4C should remain editorially and managerially independent. This was also the conclusion of the House of Commons Culture Media & Sport Committee in its report on the Future of the BBC in 2014⁷.
19. The system of governance and regulation therefore needs restructuring, firstly to separate the BBC’s regulation from its operational governance, and secondly to separate out S4C’s governance from that of the BBC.
20. Looking ahead, TAC would favour a unitary board taking control of everyday BBC governance and strategic direction, with the BBC’s regulation coming under Ofcom. We take the conclusion in Ofcom’s recent PSB Review that ‘The BBC remains the cornerstone of the PSB system and is the key driver of investment across the system’⁸ as a sign that Ofcom is aware of the importance of the Corporation to the creative heart of our broadcasting ecology.
21. For S4C, we would suggest a ‘mirror’ model of this, with its own unitary board plus independent and entirely separate regulation by Ofcom. This we feel would represent a potential cost saving, as well as putting the regulation of these two broadcasters in experienced hands.
22. What we would not support under any circumstances is the regulation of S4C by a proposed ‘Ofbeeb’ or any organisation whose primary role was to oversee the BBC. We have shown above the result of S4C being an ‘afterthought’ in the minds of those who oversee it, and we feel that to fail to more clearly separate the BBC from S4C in regulatory and funding terms in the Charter could be a very damaging to a culturally and economically valuable institution.

The cultural importance of English and Welsh language broadcasting

23. Wales, like the other nations and regions of the UK, has its own unique stories, perspectives, talent and ideas to offer to viewers and listeners not only in our own nation but across the UK and to audiences overseas.
24. *Y Gwyll / Hinterland* is an oft used- example of a successful high-end Welsh-made bilingual TV production which has been shown on S4C, BBC and overseas. But it is worth also pointing out its distinct Welsh aspects, eg the use of Welsh even in the English-language version creates in

⁶ Submission to the DCMS Green Paper on Charter Review. BBC Trust, October 2015, P27

⁷ Future of the BBC. Select Committee on Culture Media & Sport, HoC315, 26 February 2015, p111

⁸ Public Service Broadcasting in the Internet Age: third review of PSB. Ofcom, July 2015, p7

some scenes a dramatic tension between Welsh-speaking and non-Welsh speaking characters; and using Welsh locations and folklore gives the series a distinctive character and atmosphere.

25. The BBC screened the first series of *Y Gwyll*, and part-funded the second, and we also welcome its devolving some of its own production to Cardiff. But the BBC's commissioning of indies in Wales is mainly confined to content that is made specifically for Wales, rather than for the wider UK audience.
26. Overall the BBC has not achieved its stated public purpose of 'representing the UK, its nations regions and communities'. This was conceded by the BBC itself in its Ofcom PSB Review submission: 'It is fair to say that there is unmet audience demand for greater representation on-air and on-screen in the network services of the PSBs. This is an area that the BBC is seeking to address. The balance of spend and output between English language content and indigenous language content is also an important issue.'⁹
27. The BBC Trust in its recent Content Supply Review stated that:

'The Trust will want to ensure that the BBC has developed considered, clear-sighted plans that set out what the right commissioning mix is across the Nations and regions. The Trust will also want to see how the BBC's production centres across the UK intend to work more effectively together with the independent sector based in different parts of the UK to develop creative, sustainable, local ecologies'.¹⁰
28. This needs to be in the next BBC Charter as a key priority.

The economic impact of broadcasting in Wales

29. The investment in the industry made by broadcasters in Wales is crucial to the ability for companies to start up and go on to generate a volume of work that enables them to build sustainable businesses.
30. Because of this the independent TV production sector in Wales has very much been successful in producing high-quality programmes and formats across all genres, as well as production of films, online content, apps and so on.
31. The Welsh indie sector, and Welsh broadcasting sector in general, not only creates economic value in its own right but spreads that value across such creative industries such as graphic design, online, music, and games.
32. The Welsh Government estimates that around 50,000 people are employed in such sectors, generating a £1.6bn annual turnover¹¹, with more employed in other creative sectors.
33. The Welsh music sector is helped via concerts from the Eisteddfod and other events, but equally its contemporary music scene is boosted by shows such as Antena's Ochr1, which shows new and up-and-coming bands playing live in the studio.

⁹ Submission to Ofcom's Third Review of Public Service Broadcasting. BBC, February 2015, p23

¹⁰ Review of the Supply arrangements for TV, Radio and Online. BBC Trust, June 2015, p17-18

¹¹ Creative Industries brochure. Welsh Government 2015, p4

34. Clearly tourism and the hospitality sector also benefit from the greater exposure given to the nation via media productions.

The implications of a reduction of English language programming output

35. Referencing the above, clearly a reduction in any output, English language or otherwise will have negative economic impacts.
36. Also it will impact upon the extent to which Wales as a nation has a broadcasting system which makes programmes about Wales. Such programmes accurately represent Wales and its people and provides sufficient news and factual content reflecting their own circumstances, lives and important local activity such as news from the Welsh Assembly and Government.

Whether funding for Welsh language broadcasting should be ring-fenced

37. We have detailed above the funding issues for S4C. It is clearly not sustainable for it to continue to be subject to real-terms budget cuts.
38. The same is true for BBC Radio Cymru, which generally has a good relationship with the Welsh indie sector. It is important to note that many TAC members also make radio for BBC Radio Wales and Radio Cymru, and this allows them to generate a sufficient volume of work to maintain and build their creative businesses.
39. Both of these services are entirely unique and we believe there is a clear case for their funding to be specifically ring-fenced and linked to inflation.
40. The level of S4C's TV Licence Fee funding must also be protected. The unfairness to the BBC itself of the recent Licence Fee deal has been widely noted, but S4C was not even given the chance to be party to that deal or otherwise have any say in it. Despite this, the Chancellor and DCMS Secretary subsequently wrote to the BBC DG Tony Hall to say that:

‘The BBC's grant to S4C may be reduced by an equivalent percentage reduction in funding to the percentage reduction made to BBC funding over the period 2018/19 - 2020/21. It will be up to the Government to decide how to make up the shortfall’.¹²
41. We fundamentally oppose S4C being required to shoulder such a burden, and urge the Committee to seek a commitment in the BBC Charter that S4C's level of funding is at the very least maintained at its current level and also linked with inflation. In terms of the Government 'making up the shortfall', we would like to see that implemented in full.
42. Earlier this year TAC published a recommendation in our policy manifesto to effect a one-off increase of S4C's public funding (ie DCMS grant plus TV Licence Fee) of 10%, to partially compensate for the large funding cuts since 2010. Whilst we appreciate the economic realities of our times, we feel that were this to take place it would be a much-needed boost to S4C's ability to make investments in its future.

¹² Letter on arrangements for over-75s TV licence concession from 2017/18. HM Treasury and DCMS to Lord Hall, 3rd July 2015

43. S4C's funding needs to be more clearly separated from the BBC – we should no longer hear language such as 'the BBC paying for S4C' and similar terms. TV Licence Fee funding which goes to S4C should be extracted further 'upstream', away from any involvement with the BBC itself. We generally support the BBC's opposition to 'top-slicing', but given the circumstances created by the 2010 Spending Review, S4C should be regarded as the exception to the rule.
44. S4C also faces a potential further reduction to its DCMS grant, currently around £6.7m, in the forthcoming Comprehensive Spending Review. We note that the Secretary of State recently told the Culture Media & Sport Committee he is making the case to HM Treasury that much money spent by DCMS in the creative industries generates a return for the UK economy, and we would point to S4C's figures showing that every £1 it spends in the Welsh economy generates £2.09 for the Welsh economy¹³. We hope that he is successful, not least in relation to the money that goes to S4C.
45. TAC welcomes the DCMS having a 'stake' in S4C, particularly under the current regulatory structure. We realise the Committee's work on this inquiry will not be concluded prior to the CSR announcement, but whatever the outcome of that Spending Review, we hope the Committee will note the importance of a grant from Government in addition to the funding from the TV Licence Fee.
46. Fundamentally we have an overall concern that what faces the Welsh and indeed UK creative industries is a 'perfect storm' of uncertainly created by not only reduced funding for the BBC and S4C, but the threat of a privatisation of Channel 4, which invests in a certain amount of Welsh-produced content and also the current review of TV Terms of Trade, ordered by the DCMS and being undertaken by Ofcom, which could damage up the Welsh indie sector by reducing its ability to hold onto its intellectual property rights during negotiations with broadcasters.
47. These Terms of Trade have underpinned the success of the indie TV production sector over the last 10-12 years, and any alteration to the detriment of the indies' IP rights would be an enormous backwards step for creativity in Wales.

¹³ Figure quoted from research commissioned by S4C