



Paper for Select Committee on Culture Media & Sport on issues arising from leaving the European Union

1. TAC represents the Welsh independent TV production sector, which consists of around 60 permanent companies, with more operating to support particular productions. These companies make programmes for all of the UK-wide PSB networks (BBC, ITV, Channel 4 and Channel 5) as well as commercial broadcasters (e.g. Sky). They also are increasingly involved in international co-productions. And of course they produce all of the newly commissioned content for Welsh language broadcaster S4C, as well as some content for BBC Wales and BBC Radio Wales and BBC Radio Cymru.
2. The current uncertainty over Britain's future relationship with the European Union is causing concern among the Welsh indie production sector, and indeed the creative industries in Wales as a whole, which together represent an estimated £1.6bn¹. This is due to a number of factors:
 - a. **The effects of restricting movement.** Currently many productions may film on the European mainland, or utilise talent, both in front of and behind the camera, from the mainland. Having tougher visa restrictions and lengthier processes will not only increase bureaucracy but potentially disrupt productions if the new restrictions prove unduly harsh. This is sometimes already experienced when involved in non-EU talent or locations. The animation and visual effects industry in particular relies on freedom of movement of EU nationals given the shortage of skilled talent here in the UK. Also markets such as MIPCOM, held annually in Cannes, are key to international programme sales and whilst they are not restricted to EU nations, it is an advantage to be able to access them as an EU member.
 - b. **There is concern at no longer being able to access EU Media funding for skills and non-commercial PSB TV programmes and films.** Currently the Creative Europe programme funds skills and media content development, on a series of criteria which take into the account the likelihood of that programming being made without such support. EU funded apprenticeships are very important to the industry. We note the Creative Industries Federation report on the issues around leaving the EU, which states: 'The UK receives more funding than almost any other country through Creative Europe. The impact has been transformational in many parts of the UK's nations and regions.'²
 - c. **Potential loss of access to the Single Market.** A significant number of TAC member productions have been sold into various EU countries in recent years. In its post-referendum paper on the likely impact of the vote on the creative media industries, Enders Analysis³ described Single Market access as 'a major benefit', because of 'the direct access it gives production companies based in the UK to export their output into other European markets'.

¹ The Welsh Assembly Government in 2015 stated that 'Welsh creative companies span software and app development, TV and film production, games, music, digital marketing and more, employing around 50,000 people and generating a £1.6 billion annual turnover'. Just Ask Wales – Creative Industries brochure, 2015, p4

² Brexit Report, Creative Industries Federation. Oct 2016, p29

³ Brexit - Dismal media outlook. Enders Analysis, 1 July 2016

The report concluded that membership of the EEA was crucial: 'Our analysis of the impact of Brexit on display advertising spend and on the audiovisual sector, where we have focused on the TV broadcast and film/TV production industries, leaves us in no doubt that the EEA is the only way forward for a sector that has enjoyed such vibrant growth over the last few years, during which time the UK has benefited hugely from its membership of the EU'.

- d. **AVMS Directive – Country of Origin Principle.** Currently some commercial broadcasters (e.g. NBC, Discovery etc.) broadcast to the EU from the UK, but depending on the final relationship with the EU they may move to mainland Europe in order to continue to take advantage of the Country of Origin Principle which allows them to work under one regulatory regime. If they do move they may invest less in the UK indie sector, from which they currently commission a significant amount of original content. Currently the UK operates as a highly effective creative hub which is threatened by lack of access to the Single Market and regulations such as the Country of Origin Principle. According to Prospero Strategy 'Between 15-20% of UK employment for multichannel operators (about 1600 people) is associated with non-UK channels and this employment could be at risk'⁴.
- e. **Negative effects on advertising** and therefore broadcaster content budgets. ITV has already lowered its profit forecast and is cutting back on staff and some of its operations, including closing its northern drama hub⁵.
- f. **There is concern that the UK already carries less weight at EU level due to the referendum vote.** This is unfortunate given the need to lobby on the Digital Single Market, the implementation of which may adversely affect UK indie producers. This is due to the fact that producers can sell their programmes and format rights market-by-market thus raising much more revenue and also allowing the producer to tailor their product to suit individual markets and broadcasters.

3. We would urge the Committee to make the following recommendations:

- i. **To urge the Government to take as constructive and conciliatory approach** as possible if it is involved in negotiating an exit with the EU in order that it may still have influence over issues such as the Digital Single Market
- ii. **To encourage continued membership of the Single Market** in order that UK TV producers and other creative industries can continue to operate within this vitally important territory.
- iii. **Prioritise the TV production sector in any trade expeditions**, as one of the UK's leading growth industries
- iv. **Funding guarantees.** To ask the Government for assurances that the current value of funding obtained from the EU for the sector will be continued from the additional funds available to the Government as a result of any reduction in payments to the EU

⁴ Brexit – What does it mean? Prospero Strategy, July 2016, p2

⁵ ITV cuts 120 jobs as Brexit uncertainty slows UK TV ad market. . Guardian, 24 October 2016.