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Submission to House of Commons Culture Media & Sport Select Committee

Inquiry on BBC Charter Renewal 2015

Summary

- The BBC remains very important to the public service broadcasting ecology in the UK.
- It can become less bureaucratic and more efficient by making more of its programmes open to competition from the independent sector.
- Creating BBC Studios is not necessarily the best way to make sure the best ideas are being commissioned regardless of source.
- We would support a household levy as long as it was at a rate which did not result in a further loss of funding.
- The BBC needs to improve its record of commissioning productions from the Nations, and better meet its requirement to reflect the Nations and regions of the UK to the rest of the country, one of its key Public Purposes.
- There needs to be a reform of governance and regulation which also safeguards the independence and funding of S4C.

Introduction

1. Teledwyr Annibynnol Cymru (TAC) is the trade association representing independent TV production companies in Wales. There are around 55 Welsh companies producing a wide range of TV and other content in genres that include children's; drama; comedy; factual; documentary; animation; entertainment; music; and sport.
2. TAC members make content for the UK network broadcasters, sell programmes and formats abroad, and are involved in international co-productions. Members also make content for the Wales-based broadcasters such as BBC Wales and S4C, the latter of which, as a publisher–broadcaster, works very closely with our sector.

3. TAC responded to the previous committee's 'Future of the BBC' inquiry and is pleased to have the opportunity to give its views on the BBC for the purposes of this inquiry on Charter Review.

The Committee's areas of interest

The argument that the BBC should become smaller and more focussed on a narrower, core set of broadcasting and online services

4. TAC agrees with the conclusion of Ofcom's recent third review of public service broadcasting, that "The BBC remains the cornerstone of the PSB system and is the key driver of investment across the system"¹. 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 ².
5. We believe that the UK has a very successful mixed broadcasting ecology that, between the free-to-air PSBs plus the cable and satellite broadcasters, provides a rich mix of programming and associated content. Together these broadcasters provide a good competitive environment in which indie producers can take their ideas to a number of different commissioners depending on their services and remits.
6. Any reduction in the capacity of one of the UK's leading commissioners of creative content would undoubtedly make this ecology weaker. So whilst TAC would like to see the BBC's central bureaucracy and production base reduce in size, it believes that the BBC works best as a PSB, which is well-funded, operates across many genres, and across all platforms to continue to carry out the relevant overall function of informing, educating and entertaining the British public.

The possible scaling back of BBC production capabilities and any impact this would have on content overall, and on free-to-air content; The BBC's own organisation and management

7. TAC does believe that the BBC would benefit by becoming smaller at its centre and by commissioning more of its content from external suppliers. Firstly it would enable the BBC to focus more clearly on the nature of its output and be more flexible about how and who it commissions.
8. Secondly, it would enable more programme makers, including those based in the Nations and regions, to compete to make programmes for the BBC's UK-wide TV networks. Lord Hall's 'Compete or Compare' initiative, rightly identified the need for the BBC to ensure it had the right processes and structure in place to make sure it was providing both value for money and the best content available to the Licence Fee Payer.
9. But Lord Hall's solution of simply keeping BBC Studios intact as one large entity threatens to undermine his own competitive philosophy. TAC's view is that it would be far better to simply open up more BBC content to competition from the independent sector.
10. In-house production would still be able to bid for this content, and therefore those within the BBC that have good ideas and real programme-making expertise will still be in demand, whilst indies will no longer have such narrow 'pipe' through which to try to squeeze fresh new ideas.

¹ Ofcom. Public Service Broadcasting in the Internet Age: third review of PSB. July 2015, p7

² Frontier Economics. The contribution of the BBC to the UK creative industries. 2015, p3

The possible replacement of the licence fee with a universal household levy; and a longer-term possibility of a move to a degree of subscription for BBC services

11. TAC supports the type of universal funding model used to support the BBC so far – it serves to create a large number of services which are wholly or partly unique, without impacting on the advertising–raising abilities of the commercial sector, or similarly upon the ability of subscription channels to gain customers. The Licence Fee, and provided it is, as we understand, to be adjusted to allow for the iPlayer catch ‘loophole’ it remains largely fit for purpose.
12. The recent MTM ‘deprivation’ survey of a number of households, many of whom were hostile to paying the licence fee, revealed that there is a large degree of ignorance about the value of the Licence Fee in terms of the range of the services provided – but once they had been deprived of those services for a period of time, most surveyed said they were much more positive towards the Fee and the BBC ³.
13. Nevertheless we agree the household levy is an interesting idea, although were it to be introduced we would of course expect the levy to be at a rate that is the equivalent of the current licence fee, and would add that, if banded in the fashion alluded to by the DCMS Secretary in his recent appearance before the Committee, this might even represent an opportunity to raise the amount of funding overall back to its previous real-terms level.
14. But for as long as it retains a large bureaucracy, the BBC is having to defend large salaries and overheads. Following this Charter and hopefully a re-organisation of the BBC’s structure to make it less unwieldy, it would be in a much better place to argue for a continuation of the funding system.

The process for setting the level of funding for public service broadcasting and the availability of funds offered on a contestable basis to others for the production of PSB content; The substance and process of the financial settlement so far announced, including the withdrawal of the broadband top-slice and the transfer of responsibility for covering the cost of free TV licences for over 75s to the BBC from 2018

15. TAC shared the concerns of many that the recent Licence Fee deal between the Government and the BBC, in its haste and behind-closed-doors approach, echoed that of 2010, which saw new demands put upon the Licence Fee including the part-funding of S4C. This has resulted in a reduction of funding and increased instability not only for the BBC itself but also for S4C (see separate section on this below).
16. One result of the Charter Review process should be a protection of the BBC and S4C’s funding which would prevent such sudden and non-consultative deals being done in the future. We would argue there is no sound evidence to justify cutting the public funding of organisations which are investors in the creative economy and thereby generate a proportionally greater amount of economic and cultural wealth than the public investment in them equates to.

The position of BBC Worldwide, and the suggestion that it might be reformed or sold

17. As a distributor of BBC-commissioned content, BBC Worldwide does have brand advantages, and also a ‘critical mass’ of content. However it is important that producers commissioned by

³ Life without the BBC. MTM, August 2015

the BBC continue to have the right to take their rights elsewhere if they wish. BBC Worldwide's ability to provide valuable gap financing for BBC Productions' programmes, thus making them fully funded, gives the BBC a significant, and some would claim unfair, advantage. For this reason TAC has opposed any changes to the Terms of Trade which govern the negotiations between indie producers and the PSBs.

The governance of the BBC and mechanisms for holding the Corporation to account for the public money it receives and spends in line with the expectations of those who fund it

18. TAC has maintained a positive relationship with the BBC Trust. We nevertheless concur with what seems a growing consensus that the BBC Trust has not been sufficiently separate from the Corporation to be fully able to carry out the duties of an external impartial regulator, and neither has it fully been able to carry out the role of a supportive non-executive board.
19. TAC agrees with the idea that the BBC should have its own governing board plus a fully independent impartial regulator to ensure it is providing value for money and fulfilling its remit. We would regard Ofcom as a suitable option, which whilst it may have to recruit some additional staff would otherwise not incur additional cost on the Licence Fee payer.

The balance of national and regional investment and spending by the BBC

20. Currently there is an increasingly high-profile issue regarding the extent to which the BBC is adequately representing the different peoples, Nations and regions of the UK. This is due in no small part to its continuing to fail to commission adequately from the Nations and regions of the UK. Although the BBC has a number of well-publicised production centres in Salford, Bristol and Cardiff, it cannot really hope to genuinely represent all the areas of the UK unless it allows the producers who are embedded in communities around the country to make more of its programmes and other content, and thus bring their own talent, ideas, stories and perspectives to the screen. We note that the BBC itself in its Charter Review Document on BBC Studios says that in deciding on its commissioning strategy in the nations;

'we need to give careful consideration to the different context in each Nation: the market for local-only content is much smaller than network, with more fragile ecologies of independent producers. In addition, this output plays a unique and important role in the BBC's programming portfolio, meeting the distinctive needs of audiences that may not be well served by other broadcasters. The BBC is keen to ensure that it considers the full range of issues in reaching a final decision in this area.'⁴

21. We would also point the Committee to the findings of the BBC Trust, which 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'.⁵

⁴ BBC Studios: Strengthening the BBC's role in the creative industries. BBC, September 2015, p13

⁵ Review of the Supply arrangements for TV, Radio and Online. BBC Trust, June 2015, p17-18

22. TAC agrees entirely with this stance and we would like to see this included in the Charter and Agreement as an express objective to be delivered by the BBC and measured by whatever regulator replaces the Trust.

The importance of the BBC's role in training and technical innovation and its support to the UK creative economy overall

23. The BBC has historically been an important provider of training, and without doubt will continue to be so, but the independent sector plays a critical part in the development of talent and skills which must be maintained to ensure that the growing demand for such skills and talent are met. TAC works closely with Creative Skillset Wales in this key priority area.
24. We will discuss below in more detail the broadcaster S4C, but it is worth noting here that along with S4C having to accommodate efficiencies, the independent sector that provides its programmes has also had to do the same in order to maximise S4C's content budget. The industry has managed to do this through its flexibility and ability to scale down as well as up when necessary. Independent production companies have also invested significantly in new broadcast technologies to boost efficiencies and to meet the ever changing technological developments in the market.
25. The BBC provides training which enables production staff to work within the Corporation. The BBC Academy has started including the independent sector in some of these schemes, and that is a welcome development.

The wider relationship between the BBC, the general public and Parliament

26. Despite criticism from some corners of the media the BBC remains relatively popular with the public and the MTM survey showed that once the range of its services and the cost of them was made clear, the public supported the BBC and its level of funding.
27. As we have already stated, both previous Licence Fee settlements were conducted on a highly unsatisfactory basis. TAC would therefore argue that there needs to be a greater separation of the BBC from Government and that there should be an independent way of deciding the level of the Licence Fee or any replacement funding model.

The Relationship between the BBC and S4C

28. Whilst the Committee did not specifically invite views on this last subject, TAC is keen to raise the issue of the funding and governance of Welsh language broadcaster S4C, as it is closely linked to the BBC's own funding and governance.
29. S4C was until the Spending Review of 2010 funded by a public grant from DCMS of just over £100m – a grant which was inflation linked. Together with its advertising revenues this enabled S4C to provide high-quality content including the children's service 'Cyw', whilst also investing in making the channel available on new platforms.
30. This development into new platforms has been very important for S4C, as many Welsh speakers do not live within the borders of that country, and therefore it is only since the channel has been made available on the web and via services such as Virgin Media that the content has been available to many viewers who would wish to see it. Indeed i-player requests for S4C

programmes have been very healthy, with viewing figures increasing by 175% from March 14 – Mar 15 ⁶.

31. But in the spending review of 2010, the decision was taken to remove most of S4C's public grant and no longer tie it to inflation, meaning it stands at around £6.7m at the current time. In addition, around £75m was committed to S4C from the TV Licence Fee, again not linked to inflation and a sum that has been under threat as each new cut to the BBC's own funding has threatened to be passed onto S4C, despite it being an independent broadcaster with its own programme remits, management and commissioning model.
32. This commissioning model is that of a full publisher-broadcaster i.e. S4C, like Channel 4 (with which it has no formal connection) does not make any of its own programmes. Rather it commissions them all from the independent sector, thus helping to make Wales' creative sector a strong area of growth for the country. It is a key enabler for the creative industries in Wales.
33. However this economic growth has been under threat both from the cuts to S4C's funding (which amount to a loss of around 36% of its income in real terms⁷), and its Licence Fee income meaning it falls under the auspices of the BBC Trust.
34. S4C provides jobs, skills, and the chance for Wales to benefit from its unique locations, stories, perspectives and talent. It is also important in terms of providing plurality – over and above being a Welsh language broadcaster it is a broadcaster which gives Welsh viewers more options to see content that reflects their own lives and surroundings. This is of particular importance bearing in mind Ofcom noted in its third PSB review that: “

‘The Nations and their regions are the areas where there is the greatest mismatch between public expectations of PSB and how it is delivering in practice. For example, plurality remains a concern in Wales.’ ⁸

35. As noted above, S4C has made every effort to introduce efficiencies, and its overheads are now down to some 4% of its spend, a very low figure in comparison to other broadcasters. Correspondingly TAC's members have also sought to ensure they are working as efficiently as possible. – The reduced funding has affected programme budgets and in order to make those budgets work, indies have sought to be as efficient as possible. However it is worth noting that some efficiencies in the sector are only one-off gains, as pointed out in Ofcom's PSB review, and this is not an everlasting process:

‘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.’ ⁹

Moreover each new innovation in viewing quality, e.g. Ultra-High Definition or ‘4K’, brings extra financial pressure to bear on producers.

36. An additional issue is that because the BBC Trust is a ‘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 problems of the Trust are documented above and TAC finds it as a matter of continuing

⁶ S4C Annual Report 2015. July 2015, p15

⁷ S4C. Future of Welsh language broadcasting. 2014, p06-07

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

⁹ Ofcom. Public Service Broadcasting in the Internet Age: third review of PSB. July 2015, p9

concern that the Trust has, under the BBC-S4C Operating Agreement, the right 'in extremis' to 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. S4C is part of the UK-wide PSB ecology over which that governmental department presides.

37. It appears that the BBC's own governance and regulation will be fully overhauled and we would argue that if the same is done with S4C, savings could be made in terms of bureaucracy and cost by the existing regulator Ofcom to regulate the BBC and S4C. This should be done in conjunction with a proper review S4C's remit, purpose and structure.
38. TAC has said publicly it would like to see a number of measures to see S4C put on a more sustainable footing:
 - This funding should be linked with inflation going forward. This would be in tune with the Government's commitment to once again link the Licence Fee itself with inflation.
 - That if S4C remains part-funded by the Licence Fee or its replacement, this funding should be wholly separate from the BBC and any BBC-specific regulator.