



## Teledwyr Annibynnol Cymru / Welsh Independent TV Producers

### Response to Lords Communications and Digital Committee on the Future funding of the BBC

March 2022

#### About TAC

TAC is the trade association for independent TV and content companies in Wales. There are over 50 companies in Wales, producing programmes and other audio-visual content for the BBC, ITV, Channel 4, Channel 5 and Sky as well as other commercial broadcasters. They produce almost all the original television and online media content for the Welsh-language media provider S4C, and a variety of radio productions for UK-wide networks. More at [www.tac.cymru](http://www.tac.cymru)

#### Answers to questions

##### 1. How will new technologies and consumer habits change the future broadcasting landscape?

- 1.1. We are seeing continued development and innovation in terms of how media content is produced and in particular distributed. This has moved beyond what could be called 'broadcasting' to media content provision. As Ofcom noted in its 'Small Screen Big Debate' exercise this gives rise to a more accurate description of what was PSB as 'Public Service Media or 'PSM'.
- 1.2. The main effects of the increase in digital media consumption have been firstly the rise of new international media distribution networks such as Netflix, Amazon Prime and so on. This has made the competition for viewers' attention fiercer and presented a challenge to the longer-standing organisations including the public service broadcasters such as the BBC. At the same time such services have increased the international appetite for the type of high-quality drama and entertainment which British viewers have long enjoyed due to our unique public service media ecology, of which the BBC is the cornerstone.
- 1.3. The second change has been the ability for audiences to watch content at a time that suits them and in more locations. This has led to a reduction in linear viewing although it nevertheless remains strong, particularly around live events and also 'watercooler' TV e.g. peak-time dramas such as *Line of Duty*. Much is made of how younger audiences are consuming media differently and how broadcasting 'brands' mean less to them than the content they are watching. However not enough time has elapsed since the rise of the new services to see how they affect people's media consumption through different life stages. It is always therefore important not to second guess beyond what evidence can support.

- 1.4. These significant changes to the media landscape are arguably fairly well-progressed at this stage and while we would anticipate trends continuing, the rate of change is harder to assess.

## 2. What is the purpose of a national broadcaster?

- 2.1 As per paragraph 1.1 above, media content provision has moved beyond broadcasting. In addition, the question of what is a 'national' broadcaster has two meanings in the UK content – a PSB media service for each nation and also for the UK nations as a whole. But as it evolves, public service content provision continues to play a huge part in the UK's social, cultural and economic life.
- 2.2 The BBC seeks to meet all of its public purposes while facing in several directions – it provides media content to the whole of the UK, but also individually to each devolved nation including via BBC Wales' TV and radio services. The BBC culturally therefore has needed to be successful in being both a British and also a Welsh institution. The latter ensures Licence Fee payers in Wales can see the direct benefit from its output. And as the example of Ukraine shows the BBC projects itself and the UK internationally to important effect via its TV and radio content and services, as witnessed in Ukraine where its citizens have turned to the BBC to hear from a trusted source what is going on in their own country.
- 2.3 Across all of its services the BBC should be ensuring that the UK public are seeing unique home-grown high-quality content. This content should certainly address any areas of market failure but also add to and have a unique take on the most popular genres also. BBC research for 2019-20 showed that 74% of audiences in Wales said they thought it was effective at providing content and services that set a high standard, up from 66% the previous year.<sup>1</sup>
- 2.4 Also it is important for a national media service to ensure it is spreading the benefit of its public investment across the UK's creative industries. The BBC has been increasing investment in Wales in recent years. As its Management Review for Wales states, 2019-20 saw: *"the biggest ever spend on network programming from Wales (8.2% of all network TV expenditure - up from 6.3% the previous year) led by the global hit His Dark Materials"*<sup>2</sup>.
- 2.5 The BBC also collaborates with others, for example Factual Fast Track Wales, introduced by S4C, Channel 4 and BBC Wales to strengthen the pipeline of Factual genre producers. In 2019-20 it provided a bespoke package of training, development placements and mentoring to six producers and another cohort is currently planned. The BBC has also created a Memorandum of Understanding with Creative Wales, leading for example to a guaranteed commission for a new reality series in partnership with BBC Wales and BBC Three.
- 2.6 This type of investment in the skills base is welcomed even by other media services who some may consider to be rivals to the BBC and therefore potentially hostile to it. It is notable to see the comments of one of the main SVOD platforms, Netflix, at the House of

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<sup>1</sup> [Management Review 2019/20 – Wales. BBC 2020, p4](#)

<sup>2</sup> [Management Review 2019/20 – Wales. BBC 2020, p4](#)

Commons DCMS Select Committee in 2020, where the company welcomed the BBC's role in ensuring there is a vibrant production community is present from which other media companies can commission high-quality content: *"The impact that the BBC has had over the last few decades in building the profile of the UK creatively, in nurturing talent, its investment in production and so forth, is one of the key reasons why we have chosen to make our home here and one of the reasons why we are such strong supporters of what it does and want to see it continue doing."*<sup>3</sup>

- 2.7 It is crucial to this inquiry that the Committee notes that Welsh language media service provider S4C now also receives the entirety of its public funding from the TV Licence Fee. In addition to the BBC, S4C fulfils a unique purpose in providing entirely Welsh language TV and digital content, shining a light on Welsh culture and language. It invests significantly in programming including in underserved genres such as children's, documentary, music and religion. S4C is a key driver in achieving the Welsh Government's ambition to have 1 million Welsh speakers by 2050. The rise of digital platforms has allowed S4C to reach out beyond the boundaries of local transmission and be seen by Welsh people and indeed wider audiences through the UK. This has built a skills base in Wales and TAC works with S4C on a training programme to further develop the sector in order to continue to meet the demand for new content.
- 2.8 S4C is also a crucial enabler for the creative industries in Wales. It regularly commissions a wide range of production companies, which allows them to communicate their ideas through the medium of Welsh and to have sufficient revenue to maintain and build their businesses. Many of these companies have gone on to also work with a wider range of UK and international broadcasters and media content companies.
- 2.9 S4C's overall contribution to the Welsh economy is significant, with research published last year showing that for every £1 that S4C received, it generated a return on investment in the UK of £2.03<sup>4</sup>.
- 2.10 The distinct public identity created by these unique publicly-funded PSM models spreads beyond the UK to the rest of the world. Working together, the BBC and S4C have driven the creation of a new genre of drama in the UK, with well-written, acted and directed series such as *'Y Gwyll/Hinterland*, *Craith/Hidden* and *Un Bore Mercher/Keeping Faith* highlighting (albeit in a dramatised way) Welsh communities and also its breath-taking scenery, effectively introducing the whole of the UK and beyond to what Wales has to offer. This has positive impacts on wider understanding of Wales and the UK and also a positive impact on tourism.
- 2.11 A recent paper from the Creative Industries Policy and Evidence Centre<sup>5</sup> identified six types of value provided by the public service media in the UK: social; cultural; economic; industrial; representational; and civic. Many of these are covered in our comments above but on the civic value, the paper notes that: *"While the lines of PSB accountability often run through opaque political or regulatory bureaucracies rather than direct public oversight, the unique structures of the BBC, Channel 4 and S4C nonetheless distinguish the*

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<sup>3</sup> [Oral evidence: The future of public service broadcasting, HC 156. Digital, Culture, Media and Sport Committee. Tuesday 15 September 2020](#)

<sup>4</sup> [Assessing the economic impact of S4C in Wales and the UK. Arad Research, Mar 2021, p21](#)

<sup>5</sup> [What is the value of public service broadcasting? PEC, Jan 2022](#)

*corporate and institutional identity of these organisations and tether their media operations directly to a collective sense of public ownership”.*

2.12 This is evident within the ethos and approach of the organisations themselves - looking at the reaction to the COVID-19 pandemic as an example, Ofcom reported the following regarding BBC Wales’ reaction to the pandemic: *“The Welsh Government press briefings conveying important public information were broadcast live as part of BBC Wales Today’s coverage on BBC One Wales. Documentary makers also provided unique insights into the story of the pandemic and how public services were responding. Wales in Lockdown was a special series which captured initial lockdown experiences across the country. Critical: Coronavirus in Intensive Care was another powerful documentary, given exclusive access to the ICU at the Royal Gwent Hospital in Newport. Pupils and parents turned to BBC Bitesize to supplement virtual lessons, and with resources to support the Welsh curriculum, bilingual daily lessons for Welsh schoolchildren were developed from January onwards in partnership with S4C.”*<sup>6</sup>

2.13 We would argue that it is hard to imagine any commercially-funded service being able to respond in this way. It is also a good example of how the BBC’s education service provide an invaluable resource to the nation.

### **3. What principles and priorities should inform the choice of the BBC’s funding model? And how would any alternative funding models affect what the BBC can provide?**

3.1 The principle of universality is one which continues to be important. UK society has undergone stresses and strains in recent years with some unfortunate divisions driven, by big national issues. Those issues have also shone a light on the fact that all communities in the UK expect to have a voice and want to be heard and respected. A national public media service, funded in a way which allows it to be universally available, remains a core need for the UK.

3.2 Protecting and promoting the UK’s indigenous languages and culture is also a key priority. S4C, following the recommendations of the independent review in 2018, is moving towards operating across more digital platforms and creating content specifically for those platforms. While it does raise some money through advertising and commercial revenues (which is it has grown in recent years) most of S4C’s funding still comes from public sources, now entirely the TV Licence Fee. To enable it to have a greater digital presence, January’s TV Licence Fee settlement awarded S4C an additional £7.5m annually on top of its previous level of public funding but it still remains a media service operating on a very tight budget.

3.3 We believe any alternative funding model for the BBC which did not involve public funding would lead to a significant reduction in UK PSM activity and also affect media more widely. Seeking to fund its services through advertising would have a huge negative impact on the advertising revenues of the commercial PSBs and other commercial providers given the size of the BBC’s audiences. A subscription model would remove the universality, plus it would also, as indeed would an advertising model, result in a drastic reduction in the hard-to-fund genres which the BBC supports. Subscription would in addition not allow the BBC to continue with its highly popular radio services as it is not possible to apply conditional access technology to free-to-air radio.

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<sup>6</sup> [Media Nations 2021. Ofcom, Aug 2021, p11](#)

3.4 We accept that in the longer term it is important to at least consider alternative mechanisms for public funding. For example we note that the BBC indicated a willingness to consider the option of charging for its services via an existing household bill. In its response to the government decriminalisation consultation paper in 2020 the BBC stated: *“In some countries the TV licence, or equivalent, is linked directly to an existing common household bill ... This would be a significant change for the UK and we are not, at this stage, advocating it. It does however raise an interesting question as to whether the current system could be made much simpler, more efficient and more automated. We are open to exploring this further.”*<sup>7</sup>

3.5 The key point however is that without some form of significant public funding there will be much loss to British and Welsh cultural life and also to the economy and the international standing of Britain and Wales.

**4. How should the BBC change over the next five years to adapt to evolving consumer habits and needs - and what does the Corporation need to do to prepare for the future in the longer term?**

4.1. The BBC, as with S4C, needs to continue to look to be effective across all platforms – it is already growing its use of BBC Sounds and iPlayer to promote new content and this will continue to be the case. The BBC continues to need not just to address market failure but also provide big national moments, both at UK and devolved national level.

4.2. This will require the BBC and S4C to track audiences’ needs in terms of the type of content they are looking for, which monitoring of audience behaviour on digital platforms can help them to do.

4.3. While avoiding any sense of complacency the BBC – as does the Committee in its deliberations - needs to be mindful of the fact that the new media platforms are very recent players in the market. Naturally there is going to be some migration of viewing time to these new services which are investing heavily in compelling content, including from the UK production sector. However it cannot necessarily be assumed that the growth in their audiences will be a constant. It is also possible that we may see a ‘levelling out’ of audience shifts to the online digital platforms, plus the government is looking to ensure PSM services have due prominence on such platforms, as they do on Freeview and other services.

4.4. On this note it is notable that in Wales non-PSB viewing has actually fallen, as reported by Ofcom in its most recent Media Nations report: *“The five main PSB channels in Wales had a combined share of 52.4% of the total broadcast TV audience in Wales in 2020, the highest of the UK nations. This was also higher than in any other UK nation when including BBC portfolio channels and S4C – 57.1% in 2020. The PSB share in Wales has increased since 2019, when the main five PSBs achieved a share of 51.7%”*<sup>8</sup>.

4.5. As the number of rival platforms services grows, this leads to a fierce competition for subscriptions among the available audience, leading in turn to a limit on the amount of

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<sup>7</sup> [Response to the Government’s consultation on decriminalising TV licence evasion. BBC, 31 March 2020, p37](#)

<sup>8</sup> [Media Nations 2021. Ofcom, Aug 2021, p15](#)

new investment any of the companies involved can continue to make in the long term – many of them are creating large amounts of debt in order to furnish their growth and fund the content needed to attract further subscribers and retain those they have.

## 5. What actions and consultations are needed from the government to inform its future BBC funding plans?

- 5.1. It is important to allow a wide range of voices, including Licence Fee Payers and also creative stakeholders, to have a significant role in the discussion. The future of important national institutions as BBC and S4C is too important to left to any UK governing party of the day, of whichever political hue.
- 5.2. The voice of each UK nation needs also to be heard. We note that the Welsh Government in 2021 published a Co-operation Agreement<sup>9</sup> which committed to a: *“shadow Broadcasting and Communications Authority for Wales, to ... support the use of the Welsh language, particularly in digital and encourage media plurality”*.
- 5.3. The document goes on to state that *“We believe broadcasting and communication powers should be devolved to Wales”*. It is yet to be clear how much of the UK’s overall public service media system would or can be devolved given that, while the BBC and ITV have distinct operations in Wales, these serve Welsh viewers in tandem with the UK-wide networks. Nevertheless it is a demonstration of the degree to which Wales holds public service media to be important and wishes to have its say in its future.
- 5.4. Lastly the economic value generated by both the BBC and S4C is extremely important for the government to consider. Both the BBC and S4C can demonstrate that they more than double the level of public investment in terms of the resulting benefit to the economy.
- 5.5. There needs to be a thorough impact assessment of the effects to the UK creative economy, as well as local economies around the UK, of a move away for a publicly-funded PSM model.

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<sup>9</sup> [Co-operation Agreement 2021. Welsh Government, 2021](#)