



## **Response to the House of Commons Welsh Affairs Select Committee inquiry on Broadcasting in Wales**

**August 2022**

### **About TAC**

1. TAC (Teledwyr Annibynnol Cymru) represents the independent television production sector in Wales, providing economic, social and cultural benefits through supplying creative content. There are around 50 companies in the sector in Wales, ranging from sole traders to some of the leading players in the UK production industry. They produce content for the BBC, ITV, Channel 4 and Channel 5 as well as commercial broadcasters and platforms. The sector produces almost all the original television and online media content for S4C.
2. Cardiff is now the third largest production centre in the UK and Wales' reputation as a centre of first-class drama production has grown with productions such as *Un Bore Mercher / Keeping Faith*, *Bang, Craith / Hidden* and *Y Golau / The Light in the Hall*. Our sector has good expertise in genres such as factual, children's programmes, sport and entertainment. Overseas programme and format sales have increased, along with international co-productions.

### **Responses to Committee Questions**

**Q: Are the current models of funding for public service broadcasting in Wales sustainable to ensure the future of a successful and dynamic broadcasting industry in Wales?**

3. The Government will shortly begin reviewing the BBC's funding mechanism beyond 2027, which obviously has implications for S4C's funding. Elsewhere it has decided to privatise Channel 4. These processes will have significant implications for investment in PSB in Wales.

### The BBC

4. Any review of the BBC's funding must take into account the contribution to the creative industries and the additional economic value that brings. As part of meeting its public purposes to support the creative industries in the nations, BBC investment in Wales has increased in recent years - 5.3% of its TV production spend was in Wales in

2021, exceeding its 4% quota. 12% of its external programme suppliers for 2021-22 were from Wales.

5. BBC Cymru Wales collaborates with S4C, Channel 4 on Factual Fast Track Wales, to strengthen the pipeline of Factual genre producers. In 2020 and 2021, it provided bespoke training, development placements and mentoring to 13 producers and another cohort is planned. The BBC has a Memorandum of Understanding with Creative Wales, leading to a guaranteed commission for several new reality series in partnership with BBC Wales and BBC Three.
6. The BBC's investment in skills and the production base is welcomed even by commercial media providers which some may consider to be its rivals. For example Netflix told the House of Commons DCMS Select Committee that:

*"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>1</sup>

7. The economic and cultural benefits of BBC investment in the UK and Wales' creative industries justifies continued public funding. We believe this can be sustainable given the pressure on other TV content platforms, as discussed below, meaning that PSB services can still attain strong audience levels for a long time to come.

## S4C

8. All of S4C's public funding is from the TV Licence Fee, allowing it to fulfil a unique purpose in providing entirely Welsh language TV and digital content and help achieve the Welsh Government's ambition for a million Welsh speakers by 2050. It invests significantly in programming, including underserved genres such as children's, documentary, music and religion. Digital platforms have allowed S4C to reach out beyond the boundaries of local transmission and be seen by wider audiences through the UK.
9. S4C is also a crucial enabler for the creative industries in Wales. It commissions a wide range of production companies, allowing them to have sufficient revenue to maintain and build their businesses. Many companies have gone on to work with a wider range of UK and international broadcasters.
10. In addition TAC works in partnership with S4C on a training programme to meet the demand for producing new content. Since it began in 2019 the programme has to date delivered 75 courses, with 1,168 registrations.

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<sup>1</sup>[Oral evidence: The future of public service broadcasting, HC 156. Digital, Culture, Media and Sport Committee. Tuesday 15 September 2020](#)

11. 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>2</sup>.
12. Working together, the BBC and S4C have driven the creation of distinctive new drama series such as 'Y Gwyll/Hinterland, Craith/Hidden and Un Bore Mercher/Keeping Faith highlighting different Welsh communities and its breath-taking scenery. This has positive impacts on tourism, a point we made in our response to the Committee's recent inquiry on 'Wales as a Global Tourist Destination'<sup>3</sup>.
13. The independent review of S4C recommended that it operate more widely across digital platforms and this work has already begun. We welcomed the TV Licence Fee settlement awarding additional funding to S4C to do this. However that funding is earmarked for digital content and services and does not represent any uplift for TV content on S4C's core services. Therefore the problem remains that there has been a very significant fall in S4C's programme budget since its £100m+ public grant was removed in 2010, forcing it to rely much more heavily on repeats.
14. Maintaining and indeed increasing S4C's public funding will allow it to compete better with other services and provide a wide range on unique content.

**Q: What impact will the privatisation of Channel 4 have on the broadcasting sector in Wales?**

15. Channel 4 is increasingly investing in bringing Wales' people, ideas, stories and perspectives to the fore, as well as contributing to the UK's overall creative output for a range of broadcasters and platforms.
16. Channel 4 is decreasing its reliance on linear TV advertising, for example its digital advertising revenue grew to 19% of overall revenue in 2021, on track to meet its target of 30% by 2025. It is also experimenting with other ways to increase revenues, e.g. the Global Formats Fund. We do not therefore hold the view that privatisation should lead to further radical changes to its model.
17. Privatisation brings significant concerns. Channel 4 CEO Alex Mahon told the DCMS Select Committee how she would feel obliged to run a privatised Channel 4:

*"We currently work with about 300 companies across the UK. I would bring that in-house and I would centralise it in the south-east because that is more cost efficient. I would reverse decades of work to build that up across the Offices — they are expensive—and I would bring that back to London. The second thing I would do is*

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<sup>2</sup> [Assessing the economic impact of S4C in Wales and the UK. Arad Research, Mar 2021, p21](#)

<sup>3</sup> <http://www.tac.cymru/wp-content/uploads/2022/04/Response-to-the-Welsh-Affairs-Committee-inquiry-%E2%80%93-Wales-as-a-global-tourist-destination.pdf>

*cut the skills and training. That is wonderful for young people but it is not wonderful for profitability. The third thing I would do is change the commissioning strategy—the kinds of programmes we buy—in order to de-risk it”<sup>4</sup>.*

18. All of these actions would have significant adverse effects on the Welsh TV production sector. Below we outline the key protections that need to be contained within the planned Media Bill if it were to contain measures to privatise Channel 4.
19. **Channel 4’s spend outside London is highly important.** Recently it committed to 50% spend outside London, above its official requirement of 35%. Its new commissioning team in Bristol is receiving praise for their approach to working with production companies in Wales.
20. Channel 4 has spent around £84m in Wales over the last decade, with annual spend increasing in 2021 and forecast to grow to around £17m in 2022. Analysis shows that in 2019 alone, Channel 4 contributed £20m to GVA in Wales and supported 200 jobs.
21. Channel 4 is also collaborating more with S4C. The two broadcasters have co-commissioned the first ever Welsh language opera to be broadcast on UK-wide TV (*Un Nos Ola Leuad / One Moonlit Night*). In addition new Channel 4/S4C drama series *Y Golau / The Light in the Hall* was recently shown on S4C and will screen on Channel 4 later this year.
22. There is therefore great concern that without the appropriate protections in place, a private investor would, as outlined by Ms Mahon above, not remain committed to Channel 4’s increased levels of Out-of-London investment, its new commissioning hubs, or working with a wide range of companies around the UK.
23. We would therefore welcome a Committee recommendation that if the forthcoming Media Bill does as expected include measures to privatise Channel 4, it should also require any future owner of Channel 4 to maintain its out-of-London hubs and current commitment to 50% out-of-London spend.
24. **There are deep concerns regarding the Government’s plans to remove Channel 4’s publisher-broadcaster status and reduce its level of required out-of-house commissioning from 100% to 25%.** This would greatly reduce opportunities for producers around the UK, who need to have a sustainable amount of business from the full range of the UK’s broadcasters, as well as international platforms, to grow their businesses.
25. There is an example provided by ITV, which is privately-owned and combines in-house production with indie commissioning. EY’s report on Channel 4 privatisation<sup>5</sup> stated

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<sup>4</sup> [Oral Evidence: The work of Channel 4, HC 381. House of Commons Select Committee for Digital, Culture Media & Sport, 12 July 2022, Q3](#)

<sup>5</sup> [Assessing the impact of a change of ownership of Channel 4. EY, September 2021, p40](#)

that 66% of the content on ITV's main channel is sourced in-house. If removing Channel 4's publisher-broadcaster model resulted in a similar proportion of production lost to the independent sector, EY estimates that the present value of Channel 4's supply chain contribution to GVA over a ten-year period could be 29% (or £2.1bn) lower than Channel 4's current model.

26. There is a real risk that overall Channel 4 could be less challenging, distinctive or UK specific, due to a reduction in the currently diverse supplier base, combined with the likely 'de-risking' of its content. A sale of Channel 4 could also reduce the UK cultural identity of its output, with content aimed towards more international audiences, especially as many buyers are international media firms.
27. We would therefore welcome a Committee recommendation that if the forthcoming Media Bill does as expected include measures to privatise Channel 4, it should also contain measures to retain Channel 4's current publisher-broadcaster status, and the Government instead allow the current management team to identify other ways of further collaboration on production to raise additional revenue.
28. **Channel 4 supports for training and development in Wales.** Its flagship Production Training Scheme<sup>6</sup> has refocused to 100% Nations and Regions and four trainees recently started placements with Bad Wolf, Yeti and Chwarel (producer of the multi-award winning The Great House Giveaway), with two more being placed at Cardiff Productions and Outline Productions.
29. The Factual Fast Track scheme addresses skills gaps by developing Executive Producers in the factual genre in the Welsh sector.
30. The Indie Accelerator<sup>7</sup> provides development funding and bespoke support to ten independent production companies with ethnically diverse leadership, including Cardiff Productions.
31. All of the above is particularly important given that Screenskills estimates that by 2025, training existing and new workforce in the screen production industry will need annual investment of £95.1 million to £104.3 million, however it also estimates that the return on this investment to the UK economy will be around 15 times the cost investing in the necessary training<sup>8</sup>.
32. We therefore request that the Committee recommend that if the forthcoming Media Bill does include measures to privatise Channel 4, it should also contain measures to

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<sup>6</sup> <https://careers.channel4.com/4skills/production-training-scheme>

<sup>7</sup> <https://www.channel4.com/commissioning/indie-accelerator-2022>

<sup>8</sup> <https://www.screenskills.com/news/new-forecast-of-skills-and-training-needs-to-support-uk-film-and-high-end-tv-production-boom/>

require any future owner of Channel 4 to maintain all of its current training and development initiatives.

**33. The Government’s paper on the decision to privatise Channel 4 proposes a ‘Creative Dividend’:**

*“The Government will look to use some of the proceeds from the sale of Channel 4 to deliver a new creative dividend for the sector. The Government will also consider funding for the creative industries in the round at the next Spending Review. There will also be ongoing requirements in C4C’s licence and remit to reduce any possible negative economic and social impacts of the intervention”.<sup>9</sup>*

**34. A ‘Creative Dividend’ from the sale of Channel 4 should be in addition to, not a substitute for, our recommendations above. The Committee could consider recommending the following ways of utilising the ‘Creative Dividend’:**

- Seed funding for out-of-London productions. This could perhaps be along a co-commissioning model.
- Restore contestable funding on a long-term basis. The Young Audiences Content Fund<sup>10</sup> has created a range of exciting content for children and young people, including in the Welsh language. In addition the Audio Content Fund<sup>11</sup> has created a wide range of PSB content for commercial and community radio, again some of it in the Welsh language. However these successful projects no longer have funding in place.
- Support for training initiatives in the nations and regions of the UK. For example TAC and S4C already run a training programme but this could be expanded with further funding.

**Q: What should the future of public service broadcasting in Wales look like given the growth of global streaming platforms and changing viewing habits especially of younger generations of consumers?**

**35. The BBC, as with S4C, must be effective across all platforms – it is already growing BBC Sounds and iPlayer to this effect. However key to its success and its public support is the nature of the content itself, which must be distinctive and serve audiences across the UK. This includes both content that is hard to commercially support and also big national moments, both at UK and devolved national level.**

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<sup>9</sup> [Decision rationale and sale impact analysis for a change of ownership of Channel 4. DCMS, 2022, p3](#)

<sup>10</sup> <https://www.bfi.org.uk/get-funding-support/create-films-tv-or-new-formats-storytelling/young-audiences-content-fund>

<sup>11</sup> <https://www.audiocontentfund.org.uk/>

36. S4C has also reached a wider range of audience through iPlayer and any consideration of what happens with that platform, as the result of a change in BBC funding, needs to bear this in mind.
37. While avoiding any sense of complacency, it should be noted that the new media platforms are very recent players in what remains a volatile market. There has obviously been some migration of audiences to these new services, which are investing heavily in compelling content, including from the UK production sector. However it cannot necessarily be assumed that their audience growth will be a constant. The cost of living crisis has already seen subscription levels fall for services such as Netflix, especially among younger people, with those audiences turning back to services such as BBC iPlayer, All 4 and ITV Hub<sup>12</sup>.
38. The government is looking to ensure the UK's public service media providers' services have due prominence on such platforms, as they do on Freeview and other services. This is a crucial measure, as it will help to hold up audience share for UK PSBs. It is important that the Media Bill, in which the measure will be contained, be introduced in a timely manner to ensure the prominence measures are passed.
39. The growing number of rival TV platforms leads to fierce competition for subscriptions among the available audience, leading in turn to a limit on the amount of 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.
40. Ofcom's 2021 Media Nations report<sup>13</sup> stated that PSB viewing in Wales has grown, with the five main PSB channels in Wales having a combined share of 52.4% of the total broadcast TV audience in Wales in 2020, the highest of the UK nations and up from 51.7% in 2019. When including BBC portfolio channels and S4C, the figure was 57.1% in 2020, higher than in any other UK nation.
41. In our opinion sufficient support, via some form of public funding, is the only way to ensure the UK public can have access to objective and impartial news reporting, plus a wide range of other PSB content focusing on the UK and its diverse people and communities.

**Q: What steps need to be taken by the UK Government, sporting bodies and broadcasters to ensure the survival of free-to-air broadcasting?**

42. Universal free-to-air access is crucial to the ability for all of the Welsh public to access PSB. Clearly the future of free-to-air broadcasting in Wales is partly tied to the future

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<sup>12</sup> [Young people cut back on video streaming services. BBC News, July 2022](#)

<sup>13</sup> [Media Nations 2021. Ofcom, Aug 2021, p15](#)

funding of the BBC and S4C. We note the Government will be commencing a review of BBC funding later this year.

43. There is a great concern amongst the creative industries in Wales that the future of S4C may be treated as secondary in this process. As an example if the Licence Fee is removed and subscription or other commercial model chosen for the BBC, the size of the Welsh language audience would not allow S4C to be commercially viable so alternative public funding would need to be found.
44. While it is important to consider alternative mechanisms for public funding of PSB, the key point however is that without some form of significant public funding there will be much loss to British and Welsh cultural life, to economic investment and to the international standing of Britain and Wales.
45. While there are pressures on the TV Licence Fee it is important to recognise, as pointed out in the recent House of Lords report on BBC funding<sup>14</sup>, that alternative models also present challenges. What must not happen is for the need to insure for the future to turn into a gamble with the future of our PSB system, by changing tack too far and too soon. During this process it is important to allow a wide range of voices, including Licence Fee Payers and also creative stakeholders from each of the UK nations, to have a significant role in the discussion.

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**[www.tac.cymru](http://www.tac.cymru)**

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<sup>14</sup> [Licence to change: BBC future funding. House of Lords Communications & Digital Committee. HL Paper 44, July 2022, CH.4 – Funding Models](#)