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Submission to Welsh Assembly
Communities, Equality & Local Government Committee
Inquiry on BBC Charter Renewal 2015

Summary

- The BBC remains very important to the public service broadcasting ecology in Wales.
- 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 ensure that the best ideas are being commissioned regardless of source.
- The BBC needs to improve its record of commissioning productions from the Nations in order to better meet its requirement to reflect the nations and regions of the UK to the rest of the country. This is one of its key Public Purposes.
- Funding needs to be maintained and ring-fenced for services such as BBC Radio Wales and Radio Cymru.
- We support the continuation of the Licence Fee, but would not rule out support for a household levy as long as it was at a rate which did not result in a further loss of funding.
- There needs to be a reform of governance and regulation which also safeguards the independence and future 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 television, radio and multiplatform content in genres that include children's, drama, comedy, factual, documentary, animation, entertainment, music and sport.
2. TAC members produce content for the UK network broadcasters. They sell programmes and formats abroad and are involved in international co-productions. TAC members also make content for 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 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 future provision of the BBC's services in Wales, in both the English and Welsh languages;

4. The UK has a successful mixed broadcasting ecology that, through the free-to-air Public Service Broadcasters (PSBs) plus the cable and satellite broadcasters, provides a rich mix of programming and associated content. Together, these broadcasters provide a competitive environment in which indie producers can take their ideas to a number of different commissioners depending on their services and remits.
5. Whilst we would like to see more engagement from some TV broadcasters with the Indie sector in Wales, nevertheless overall it is a system which provides great benefit to viewers in Wales and the Welsh economy. For Wales specifically there is a reasonable degree of plurality provided via BBC Wales, S4C and, to an extent, ITV Wales. Radio Wales and Radio Cymru provide two popular services which commission partly from the independent sector, enabling TAC members to gain additional commissions.
6. 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 UK².
7. Any reduction in the capacity of one of the UK's leading commissioners of creative content would undoubtedly weaken this ecology. The BBC should remain well-funded, commissioning content across many genres and platforms to continue its overall function of informing, educating and entertaining the British public.
8. The BBC has of course made significant investment in some parts of Wales, notably Cardiff, where its drama facilities produce many high-quality programmes such as *Sherlock* and *Doctor*

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

Who. Whilst this is welcome, in itself it does not satisfy the BBC's public purpose of 'representing the UK, its nations regions and communities'. The BBC must allow the opportunity for the producers who are embedded in communities around the Wales 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.'³

9. 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'.⁴

10. 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 whichever regulator replaces the Trust.
11. Greater engagement from the BBC 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. Whilst we welcome under the BBC's Compete or Compare proposals the removal of the 50% in-house guarantee for TV, we are concerned that making most of BBC's in-house operation a commercial arm ('BBC Studios') which could compete against indies for commissions from other broadcasters, constitutes an unwanted intervention in an already highly competitive market. Additionally, this could involve using public money to finance the venture.
12. The BBC needs to become less bureaucratic, smaller in size and more concerned with channelling the Licence Fee funding out into creative communities in Wales and indeed the rest of the UK.
13. TAC also opposes any significant changes to the Terms of Trade which govern the negotiations between indie producers and the PSBs. These have been the foundation upon which the SMEs in our sector have been set up and built their businesses to become as successful as they are today.

³ BBC Studios: Strengthening the BBC's role in the creative industries. BBC, September 2015, p13

⁴ Review of the Supply arrangements for TV, Radio and Online. BBC Trust, June 2015, p17-18

The BBC's current and future funding, governance and accountability arrangements as they relate to Wales

Funding

14. TAC supports the type of universal funding model used to support the BBC so far. It serves to create a large number of services, 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 remains largely fit for purpose, provided it is adjusted to allow for the iPlayer catch 'loophole'.
15. The household levy is also an interesting idea and we note that the BBC has suggested it may even be a mechanism for increasing the overall level of funding back to near where it was prior to the removal of inflation linking some years previously.
16. 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 below).
17. One result of the Charter Review process should be a protection of the BBC and S4C's funding, to 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.

Governance

18. TAC has maintained a positive relationship with the BBC Trust, particularly in Wales and regularly meets with the individuals involved. 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 either an external impartial regulator, or a unitary board.
19. TAC agrees with the idea that the BBC should have its own unitary 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.

S4C's future, including its funding, operating and governance arrangements, and the services it provides

20. 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.
21. This development into new platforms has been very important for S4C as many Welsh speakers live outside of Wales, 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 for 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 ⁵.

22. S4C competes with BBC Wales for Welsh-based content, as well as seeking co-productions and other media opportunities outside of those pursued by the BBC. It also commissions companies who make not only Welsh language television programmes but also radio content for BBC Radio Wales and BBC Radio Cymru (which commissioned 26% and 19% from indies in 2014-15 respectively⁶). Without those companies splitting their activity across both S4C and the BBC, we would argue that Radio Cymru and Radio Wales would struggle to have an independent sector to supply it with a diverse range of content from around Wales.
23. 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.
24. As a publisher-broadcaster S4C commissions all its original content 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.
25. 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.
26. 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
27. As noted above, S4C has made every effort to introduce efficiencies and its overheads are now down to 4.4% of its spend ⁹, a very low figure. Correspondingly, TAC's members have also sought to ensure that they are working as efficiently as possible. However, it is worth emphasising that some efficiencies in the sector are only one-off gains, as pointed out in Ofcom's PSB review, and that this is not an everlasting process:

⁵ S4C Annual Report 2015. July 2015, p15

⁶ Performance against public commitments 2014/15. BBC, 2015, p16

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

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

⁹ Future of Welsh language broadcasting. S4C, 2014, p42-43

‘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.’¹⁰

28. Moreover each new innovation in viewing quality, e.g. Ultra-High Definition or ‘4K’, brings extra financial pressure to bear on producers. S4C had to close its HD service in 2012 but now needs to find ways of re-introducing it as public expectations rise in accordance with the proliferation of channels offering HD quality. S4C also needs to ensure it is available on new technology platforms to be available to Welsh speakers in the places where they choose to consume content.
29. To enable it to continue to invest and provide a sufficient amount of high-quality programming, S4C’s funding needs to be given a one-off 10% increase to its mixed public funding from DCMS and the Licence Fee, and for this to be linked to inflation going forward (as the TV Licence Fee itself has now been).
30. 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 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.
31. 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 of S4C’s remit, purpose and structure.

How Wales’s interests are being represented during the renewal process.

32. In the case of TAC specifically, the Wales Office recently hosted a constructive meeting¹¹ between TAC and the Secretary of State for Culture Media & Sport, which enabled a large delegation to engage directly on the issues concerning the BBC and S4C. This was the latest in a series of positive Wales Office ministerial initiatives to engage with and promote our sector in recent years, including in 2014 speaking at the TAC annual general meeting, and hosting an event in Wales with UK TV commissioners and the Welsh indie sector. This year in July a showcase event for the sector was held at the Wales Office’s Gwydyr House building in Whitehall.
33. TAC will continue to liaise with the Wales Office and DCMS, as well as working with all parties in Westminster, on which note we welcome the efforts of many MPs and Peers to raise the profile of issues regarding the Welsh indie sector and S4C, both before and during the Charter Review process.

¹⁰ Public Service Broadcasting in the Internet Age: third review of PSB. Ofcom, July 2015, p9

¹¹ See mention in House of Commons Debate: Media Plurality in Wales. HC Deb, 13 October 2015, c79WH

34. TAC welcomes the recent publication of the Memorandum of Understanding¹² between the BBC, BBC Trust, DCMS and Welsh Government allowing for consultation with the Welsh Government on Charter Review. TAC is engaging with the Welsh Government on issues around the BBC and S4C and recognises the current Minister's and First Minister's keenness to ensure that Wales's interests are well-represented during the Charter Review process.
35. On a more general UK level, there has been no shortage of opportunities for stakeholders in Wales to give their views on Charter Review. In addition to submitting a direct response to the Government's Green Paper, TAC has also submitted evidence to the House of Commons Culture Media & Sport Committee on the BBC Charter Review, as well as the House of Lords Communications Committee on the BBC's public purposes, funding and scope. We will also be submitting thoughts to the BBC Trust on their consultations on the BBC's documents regarding an 'Open BBC' and 'BBC Studios'.
36. In addition, the BBC Trust has taken on the process of holding public debates on various aspects of the BBC's future, including funding, governance and other issues. One of these sessions was held in Cardiff and TAC was able to attend.

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469865/Wales_MoU_signed_final.pdf