

## Introduction

- 1) Pact is the trade association that represents the commercial interests of the independent television, film, digital and children's & animation production sector in the UK.
- 2) Pact has around 500 members across the UK, including in the nations and regions, with around 20 companies based in Wales with a combined turnover of over £37m. Pact members make programmes for a range of broadcasters in the UK and internationally, including for BBC, BBC Cymru Wales, Channel 4 and S4C in both the English and Welsh languages.
- 3) The UK independent television sector is one of the biggest in the world. Independent television sector revenues have grown from £1.3 billion in 2005 to around 2.9 billion in 2014.<sup>1</sup>
- 4) UK TV exports are also a success story; with international revenues from the sale of UK TV programmes and associated activities at £1,207m in 2014/15.
- 5) The BBC Drama hub is based in Cardiff which helps attract and retain talent in Wales, however the BBC Out of London spend is skewed towards BBC in house and is not being invested in the independent production sector based in Wales.
- 6) Pact's vision for an independent sector in Wales is one that is diverse and sustainable and continues to secure investment in both Welsh and English language programming into the future. In order to achieve this, broadcasters including the BBC should be open to working with and commissioning from a range of Indies, including new entrants to the market.
- 7) For further information, please contact Pact's Head of Nations & Children's, Rosina Robson, at [rosina@pact.co.uk](mailto:rosina@pact.co.uk) or on 020 7380 8248.

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<sup>1</sup> Pact Census Independent Production Sector Financial Census and Survey 2014, by Oliver & Ohlbaum Associates Limited

## Inquiry questions

Pact is pleased to respond to the Welsh Assembly Committee inquiry into BBC Charter Renewal. Pact members in Wales supply content to broadcasters in the UK and internationally including BBC, Channel 4 and S4C, across a range of genres including drama, factual and children's programming. This content is supplied for both local and UK network programming in both English and Welsh.

The main issue for the independent production sector in Wales is the small proportion of BBC network spend in Wales targeted at the Indie sector; BBC Wales estimate that only around £2m of the £56m spent on commissioning in Wales is allocated to the Indie sector. Clearly, there is room for growth in terms of investing in the Indie sector in Wales as there is currently an over emphasis on BBC in-house. This will help build a diverse and sustainable sector into the future.

- **The future provision of the BBC's services in Wales, in both the English and Welsh languages;**
- **The BBC's current and future funding, governance and accountability arrangements as they relate to Wales;**
- **S4C's future, including its funding, operating and governance arrangements, and the services it provides;**
- **How Wales's interests are being represented during the renewal process.**

Pact responds to those key areas where the Committee has invited comments:

### **1. The future provision of the BBC's services in Wales, in both the English and Welsh languages;**

1.1 It is clear that both the BBC Wales in-house and Welsh Indies continue to make a positive contribution to the BBC's UK television output including popular titles such as Doctor Who (although the majority of the production team are not locally based), Casualty, Crimewatch, Hinterland and children's programming such as Ludus and Grandpa in my pocket.

1.2 According to Ofcom, Wales fares slightly better than the other nations in terms of audience reach and that viewer appreciation is slightly better than other areas of the UK. As the Committee is probably aware, 20% of the population in Wales speak Welsh (and English) whereas 80% of the population don't speak Welsh, only English. We should seek to maintain and build on this audience reach into the future and ensure that further budget cuts do not impact on Welsh or English speaking viewers<sup>2</sup>.

1.3 As with the independent production sector in other nations, the TV sector plays a key role in the wider creative industries in Wales and is probably one of the most commercially successful creative sectors both in the UK and overseas. Any impact on the TV sector, either positive or negative, inevitably has a knock on effect on the film sector, games, digital, special effects and on and off-screen talent.

1.4 Deloitte published a report on the BBC's impact on the UK economy in 2011/12 which demonstrated the value generated for the UK economy and specifically in Wales. Due to

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<sup>2</sup> Ofcom Communications Market Report, Wales (2015)

a slight reduction in BBC expenditure the corresponding GVA (Gross Value Added) fell from £292m (2009/10) to £276m (2011/12), (based on expenditure of £154m in 2011/12). It is clear that the BBC has a positive impact in Wales.

1.5 Analysis by Arad Research in 2014/15 also concluded that; for every £1 invested by S4C in the economies of Wales and the UK created a total value of £2.09. According to the study, S4C's investment of £83m generated a total economic impact of £170m across the UK.

1.6 It is important that we seek to maintain BBC investment in Wales and develop a sector which is important to the future health of the Wales economy, job creation and long term creative sector talent development.

#### *Current challenges to independent production*

1.7 Pact has also responded to the DCMS Green Paper on BBC Charter Renewal expressing our serious concerns about competition and State Aid issues which we do not consider are adequately addressed in the BBC's proposal for BBC Studios.

1.8 The level of scrutiny and regulation which would be required in order to enable the establishment of BBC Studios would go far beyond the existing framework which is required in order to govern the Window of Creative Competition (WoCC) where BBC and independent production companies compete for commissions. BBC Studios would have a significant impact on the supply chain for the whole of the broadcasting sector, both in the UK and internationally. The mechanisms for ensuring transparency and fairness must therefore go far beyond the existing compliance framework.

1.9 We are extremely concerned that with the BBC's proposal on BBC Studios, details are still lacking about how the regulation of the new commercial entity will work.

1.10 It is crucial that BBC Studios is treated in exactly the same way as all of its commercial competitors by the BBC public entity. Any difference in terms of preferential commissioning terms or information would constitute a breach of State Aid and could have serious effects on the market. There must be full transparency and regulatory oversight on this issue.

1.11 Pact will be responding in full to the BBC Trust consultation on BBC Studios including as to how it is envisaged that BBC Studios will interact with local and network commissioning in the nations and regions.

1.12 Pact is also concerned about the recent review ordered into Terms of Trade by the Secretary of State for Culture Media and Sport and the devastating impact that this could have on the sector in the UK and Wales if Terms of Trade are withdrawn. The Communications Act 2003 introducing Terms of Trade is an effective and flexible piece of legislation which has allowed producers to own and exploit their rights at home and overseas. Pact is concerned about the potential to unravel this industry success story which has developed over the last ten years having a positive impact on the Welsh economy also.

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

### *Current and future funding*

2.1 Pact is aware that the BBC in Wales has already made savings through the BBC Delivering Quality First (DQF) plan, making cumulative efficiencies since April 2012.

2.2 The reality is that BBC Cymru Wales has had to deal with a real terms cut of 16% of funding spread over five years. We also recognise that S4C has faced a real terms cut of 36% in funding since 2010 and that their funding from the DCMS has been ring fenced for the next two years but not confirmed beyond 2016/17<sup>3</sup>.

2.3 Since 2006/7, BBC Wales' budget for English language TV programmes has fallen 18% from £24.6m to £20.2m in 2012/13. We are aware from discussions that that this spend has reduced further in 2014-15. The Institute of Welsh Affairs (IWA) report that spend on English language TV in Wales (in real terms at 2014 prices) declined by 30%. The decline in English language programming has been more pronounced even than Welsh language programming.

2.4 Tony Hall, BBC Director General has recognised this issue and acknowledged in a speech in April 2014 that English language programming had been eroded and that a decision to deal with the cuts by prioritising news, current affairs and political coverage had been at the expense of areas such as comedy, entertainment and culture.

2.5 Pact is clear that maintaining both investment in Welsh and English language programming in Wales is crucial for the full diversity of audiences in Wales being represented and their lives reflected on screen. Content made in Wales also has value across the UK and internationally in terms of TV exports. We know that TV exports from Wales do well even compared to the independent production sectors in the other nations.

2.6 Further cuts have already been announced by the BBC at a national level which will inevitably impact on BBC Cymru Wales. We call on these cuts to be organised in a way that will as far as possible not impact on content budgets in Wales. Pact calls for the current nations and regions quotas to be maintained into the next Charter settlement.

2.7 We are aware that levels of investment in content are already tight but express the importance of maintaining the well established Out of London quotas for network programming in Wales through the BBC (5% of 17% nations target by 2016).

### *Governance and accountability arrangements in Wales*

2.8 Pact believes that the current broadcasting governance and accountability arrangements in Wales and across the UK are broadly fit for purpose.

2.9 There is a separate consultation around the future of the BBC and governance, on which Pact does not have a strong view, except to say that any governance structures should have fairness, transparency and accountability as a core principle. Ofcom should

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<sup>3</sup> IWA Wales Media Audit: Current Media Provision in Wales: Television (October 2015)

continue to play a role in Wales by linking with Ofcom in London and across the other nations.

2.10 Pact is not in favour of the proposals mooted by the Devolved Assemblies to create a more federal system of governance within the BBC. As a publicly funded UK institution, we believe that it is right and proper that the UK Government and Parliament are responsible for setting the licence fee and the BBC Charter. Beyond this, the BBC should remain independent from all Parliamentary interference.

2.11 We do not think that there is the same strength of appetite in Wales for devolution of broadcasting as in Scotland for example. However, we continue to welcome oversight by the Devolved Assemblies/Parliament, including the Welsh Assembly having oversight of the BBC Annual Report and play a constructive role in continuing to query how the broadcaster quotas are being spent in Wales.

### **3. S4C's future, including its funding, operating and governance arrangements, and the services it provides;**

3.1 Pact supports the maintenance of funding for S4C into the future and maintains that it is an important part of the broadcasting ecology in Wales and should be guaranteed for longer term sustainability.

3.2 Pact notes that the overall spend on programming for S4C was £91.5m in 2012/14. BBC contributed £76m to the funding of S4C in 2013/14 falling year on year to £74.5m in 2016/17. DCMS also continues to provide funding of £6.7m to S4C. The remaining 2% of funding comes from S4C's advertising revenue and commercial activities.

3.3 S4C Annual Report states that every £1 invested by S4C in the economy generates total added value of £2.09. Pact underlines that the investment in S4C returns a good investment into the economy and to Welsh speakers who make up around 20% of the population in Wales.

### **4. How Wales's interests are being represented during the renewal process.**

4.1 Pact is taking the opportunity whenever it can, to represent the interests of producers in Wales and the other nations during the Charter Renewal process. Pact recently submitted a full response to the DCMS (Department for Culture, Media and Sport) Green Paper on BBC Charter Renewal and is currently drafting a response to the BBC Trust review of the BBC Studios proposals.

4.2 Pact is keen that the interests of both the English and Welsh speaking audience and producers are catered for in any settlement. It is important for life in Wales to be fully reflected on screen that investment to both English and Welsh language programming is maintained in a sustainable way into the future.