

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. 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 2.5 billion in 2016.¹
- 4) UK TV exports are also a success story; with international revenues from the sale of UK TV programmes and associated activities at £1.3 billion in 2016/17, an impressive 10% increase on the previous year.
- 5) Pact's vision for an independent production sector in Wales is one that is vibrant, sustainable, competitive and diverse and continues to secure investment in both Welsh and English language programming into the future. In order to help achieve this, the Welsh Government should:
 - Take a more strategic approach in terms of its support to the sector
 - Achieve a better balance in its investment of public funds between attracting inward investment and supporting companies that are both already operating in Wales whilst encouraging new entrants to the market
 - Restructure Welsh government support so that all aspects of the production sector benefit, not just film and high end drama but other genres such as factual and animation production too.

¹ Pact Census Independent Production Sector Financial Census and Survey 2017, by Oliver & Ohlbaum Associates Limited

6) For further information, please contact Pact's Director of Nations & Regions, Rosina Robson, at rosina@pact.co.uk or on 020 7380 8248.

Inquiry questions

Overall approach

As the UK moves towards Brexit and government funding becomes scarcer, the allocation and effective targeting of Welsh Government funding to support the screen sector in Wales becomes even more important. Many companies have benefitted from Welsh Government funding over recent years yet there is an opportunity to provide support to the production sector in Wales beyond major TV and film, through a more strategic approach.

Pact calls on the Welsh Government to achieve a more effective balance between supporting and attracting inward investment into Wales and independent production companies already based or wanting to set up in Wales. NI Screen strikes this balance well in Northern Ireland and Creative Scotland and Scottish Enterprise are working on this with the establishment of a new Screen Unit for Scotland.

The Welsh Government investment through the Wales Media Investment Fund is very welcome but has not yet benefitted all sections of the production sector in Wales and funds remain to be spent. Welsh Government investment into Pinewood Studios is welcome also and a number of major film and drama productions have benefited from the facilities. However, many smaller TV and film production companies do not benefit from the facilities due to the high rates and inflexibility of the space.

Pact calls for a published strategy for supporting the screen sector in Wales and a more joined up approach between different parts of the Welsh Government. Pact will of course continue to play a role in promoting Welsh Government support opportunities to our members in Wales.

Building a sustainable production base in Wales – opportunities and challenges

There have been a number of positive announcements in recent months offering multiple opportunities to the independent production sector in Wales. This is a positive moment in time for the sector and an opportunity for the Welsh

Government to be even more effective in its support. Some recent announcements include:

- Specific quotas agreed for the BBC in the nations including Wales through the BBC service licence under the BBC Charter for the next ten years
- New injection of funding for both English and Welsh language local programming in Wales last year – both for TV and digital/online
- Publication of the S4C Review and funding secured for S4C into the future
- Increased Channel 4 investment to 50% out of London by 2023 and a presence in creative hubs across the UK including a new national hub outside London
- Ofcom review of the Regional TV production guidance and definition which aims to incentivise regional production. This may lead to a tightening up of the guidance (and the programmes that qualify under the definition) and/or how this is audited

Through building sustainable companies in Wales, production companies will obviously be in a better position to offer meaningful career progression and skills development to the creative workforce in Wales.

In terms of challenges, one area of risk for producers and particularly new entrants into the market are the lack of control around online rights exploitation for producers. The newly proposed digital channel and digital hub for S4C may prove a challenge in some ways for producers. Evidence from the experience of suppliers to BBC3 and BBC Learning (both online channels/content) tells us that budgets are smaller and in some cases producers are deficit financing content to maintain quality. Under some deals, producers do not have control over international rights for bringing back revenues into the business to drive future development and innovation. The BBC does not then often exploit these rights so there is a lost opportunity for the digital economy as international rights for online or short form content are not being fully exploited. Pact is calling for a fairer deal for online producers in this regard.

1. To achieve clarity on the Welsh Government's policy aims for funding film and major television production in Wales, and transparency as to why and how decisions are made in this area.

1.1 Pact supports the Committee's aim to achieve more clarity and transparency as to Welsh Government policy aims, initiatives and decision making around funding to TV and film. We welcome more information in the public domain on an ongoing

basis as to how Welsh Government funding is currently allocated, the companies that have benefitted and the impact on the economy.

1.2 Welsh Assembly Members have played a positive role over recent months in encouraging transparency from the Welsh Government but this should happen as a matter of course from now on.

1.3 Pact would like to see more transparency and regular reporting in the public domain in terms of the main support funds:

- Welsh Media Investment Fund
- Wales Screen support
- Pinewood Studios investment
- Digital Development fund (which has offered positive support to smaller, newer companies)
- Sky Vision fund: Sky Vision teamed up with the Welsh Government to support independent TV production in Wales by investing £400,000 in funding for new factual and entertainment programmes.

1.4 We would welcome the publication of an annual or periodic review and evaluation of Welsh Government funding and an assessment of the impact that the different schemes has had both in terms of inward investment and on the TV and film production sector based in Wales. It should be made more transparent and clear how its investments are benefitting both inward investment and production companies already based in Wales.

1.5 Previous meetings with the Welsh Government have signalled to us that it is a challenge to spend all of the Welsh Media Investment budget. Now that Pinewood Studios has relinquished administration of the fund, there is an opportunity for the Welsh Government to restructure the fund and ensure that the funding is reaching all parts of the production sector and not just larger film or high end drama projects, including factual and animation.

2. The support given by the Welsh Government to develop the film and television industries in Wales including:

- a. Economic impact, and how this is spread across Wales
- b. Cultural impact, including the Welsh language
- c. Value for money

2.1 As previously stated, Pact would welcome further transparency from the Welsh Government around how their support is achieving economic impact across Wales,

cultural impact and value for money. We would like to see the following principles respected through restructured funding:

- *Published strategy & demonstrate benefits:* The Welsh Government should publish a strategy setting out what government funding is seeking to achieve in the TV and film sector over the next few years. There should be clear information as to how companies in Wales benefit from the Welsh Media Investment fund and Wales Screen support.
- *Restructure funding:* Pact would like to see Welsh Government funding including the Welsh Media Investment Fund reaching all parts of the production sector, not just film and high end TV but including other genres such as factual and animation. Wales can demonstrate a positive and successful animation cluster. Companies report that the strict requirements of the fund mean that not all projects can achieve funding and that the fund is really focused on attracting large inward investment projects and not to companies seeking funding in Wales.
- *Minimise bureaucracy:* In order to encourage a range of companies both large and small to access Welsh Government funding, bureaucracy should be minimised so that smaller companies and in particular new entrants to the market in the form of innovative digital production companies are not deterred from applying for support. Clear documentation should guide producers through the process.
- *Transparent decision making:* The decision making process underpinning the Welsh Media Investment fund should be transparent with feedback given to companies that have not been successful as to the reasons why not. Members of the panel considering bids is in the public domain². Producers have commented that they would appreciate more specific animation expertise on the panel to ensure that there is a full appreciation of the different market dynamics and funding challenges in the children's and animation sector. We understand that the Welsh Media investment fund has funded one animation project to date.

² <https://businesswales.gov.wales/walescreen/news/media-investment-panel-independent-experts-appointed>

- *Transparent evaluation of the Pinewood Studios investment:* Pinewood Studios was set up with significant funding (£5m) from the Welsh Government public funding in purchasing the site. Pact would welcome an evaluation of how the Studios have supported both inward investment and companies in Wales. We appreciate that access to its studio facilities has to work on a commercial basis. However, small producers in Wales cannot afford to use its facilities and height restrictions mean that it is not possible to film certain projects there. The list of projects made available recently shows that larger projects that tend to use the space with smaller Indies using other studios, such as the Dragon Studios near Swansea.
- *Extension of the Digital Development fund:* Digital production companies report that the fund has benefitted games and apps production in Wales. Pact would welcome sight of an evaluation of this fund and consideration should be given to how and whether the fund could continue in a similar form in the future, particularly targeting smaller companies and new entrants to the market.

2.2 In terms of international support, current Welsh Government support for Welsh companies to access international markets is very welcome. There have been recent positive initiatives to link Welsh companies with producers and buyers in Mexico and China. Pact welcomes any support to facilitate coproduction either bringing production executives and buyers to the UK or taking Welsh companies to international markets or meet international buyers. Pact led a recent China Exchange bringing over key executives from Chinese broadcasting and production to the UK; three Welsh companies were involved Rondo Media, Cwmni Da and Cloth Cat animation. Pact welcomes the recent ratification of the China UK TV coproduction treaty in this context.

3. How support for the sector may be affected by the Welsh Government's new Economic Action Plan.

3.2 The creative industries were included in the UK Government's Industrial Strategy and creative sector deal published recently³. Yet, the Economic Action Plan signals a shift away from supporting the creative industries which has been a 'huge success story'.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695097/creative-industries-sector-deal-print.pdf

3.3 Pact would obviously be concerned if the Economic Action Plan had the impact of reducing current levels of Welsh Government support to the film and TV sector. There are challenges and opportunities for the sector as we have outlined but TV is a competitive global industry with many other countries providing high levels of state support so it is important that current and positive interventions continue.

4. To investigate how Ffilm Cymru Wales, the BFI and others support the sector, and how this work complements the work of the Welsh Government in this area.

4.1 A number of companies have benefitted from Ffilm Cymru funding particularly in the area of development funding. Funding supports indigenous projects and talent in Wales which is welcome and can be between £25,000–£50,000, depending on the project. Pact would welcome the Ffilm Cymru strategy being even more joined up with Welsh Government activity in supporting TV and film

5. The support given to develop skills and address skills shortages in the industry, whether there is sufficient data to map existing skills

5.1 Pact supports the recent publication of the Creative Sector deal for the creative industries as part of the Industrial Strategy. Pact was a key organisation in leading and shaping the deal. The Government will make up to £2m available to support an industry-led creative careers programme aiming to reach at least 2000 schools across the UK and 600,000 pupils in two years and industry development of standards. Industry will provide further leadership on diversity and scope expanding the voluntary Skills Investment Fund supporting on-the-job training.

Pact university module

Pact has led an industry working group that has designed a module for media degree courses to help ensure that graduates entering the TV production industry are equipped with the right business skills and knowledge. The module covers three business areas:

- IP and rights: understanding them and their value
- Content and funding: understanding co-production structures and new commercial models around TV productions; and
- IP exploitation: understanding distribution, global trading and secondary exploitation

Universities in Wales are invited to contact Pact about the module if they have not done so already.

5.2 In terms of skills specific issues in Wales, the disbanding of the Creative Skillset Board for Wales has been an issue. It has meant that there is no longer a forum for the broadcasters, universities in Wales, Pact and production companies to convene to identify skills gaps and coordinate interventions supported by funding.

5.3 In terms of skills gaps in Wales, production companies have raised the need for development and mentoring of staff particularly around the middle management level in production e.g. Executive Producer. This is supported by Pact's call to secure more returning series in Wales so that companies are able to offer sustainable and meaningful jobs locally.

5.4 From an animation point of view where there is a positive cluster in Wales, the numbers of students graduating from Welsh universities is positive, however, key talent often moves away to London if it cannot find opportunities in Wales. Companies speak well of graduates from animation courses in South Wales. There are some reported gaps in technical skills e.g. rigging, lighting, coding and computing work as UK animation graduates can lean towards a more arts focused skillset.

5.5 In terms of the apprenticeships levy, Pact is working within the context of the Creative Industries Council (CIC) to encourage flexibility in the rules to allow the production sector to make full use of the levy. Production companies can only often provide a short term entry level experience for the period of a production, not for a longer period as required by the Apprenticeship levy. A number of initiatives are outlined in the creative sector deal to facilitate more apprenticeships in the creative industries.