



Paper for Culture, Welsh Language and Communications Committee on issues relating to the TV production sector arising from leaving the European Union

1. TAC represents the Welsh independent TV production sector, which consists of around 50 permanent companies, with more operating to support particular productions. These companies make programmes for all of the UK-wide PSB networks (BBC, ITV, Channel 4 and Channel 5) as well as commercial broadcasters (e.g. Sky). They also are increasingly involved in international co-productions. They produce most of the content for S4C, as well as some content for BBC Wales, and BBC Radio Wales and BBC Radio Cymru.
2. TAC welcomes the invitation from the Committee to give views on the situation regarding the UK's membership of the European Union. The concerns for the TV production industry in Wales largely echo the concerns for the UK industry overall. This note is intended to summarise those concerns for the benefit of the Committee.
3. In terms of how this relates specifically to Wales Government policy, we would note that all the factors below will, to a lesser or greater extent, create difficulties for established and new companies in the creative industries, and specifically TV production. In this context, it will be more important than ever for any assistance to the sector to be well-targeted. TAC has held recent conversations with the Minister pertaining to our involvement with the Cymru Greadigol / Creative Wales initiative.
4. A key priority will be to seek to ensure that the Wales Government begins to target specific amounts of investment into enabling companies to grow sustainably, as per our comment in a previous paper to the committee: "What is needed is a fund which is designed to allow companies to boost their ability to research and develop ideas to take to the UK networks, as well as a coherent long-term exercise to promote the Welsh sector to the UK broadcast networks on a sustained basis, to allow those networks no excuse in failing to properly consider what the sector has to offer".¹
5. The current uncertainty over Britain's future relationship with the European Union is causing concern among the Welsh independent production sector, and indeed the creative industries in Wales as a whole, which together represent an estimated £1.6bn². This is due to a number of factors:

¹ Response to the CWLC Cttee inquiry on major TV and film production in Wales. TAC, Apr 2018, p4 para 23

² The Welsh Assembly Government in 2015 stated that 'Welsh creative companies span software and app development, TV and film production, games, music, digital marketing and more, employing around 50,000 people and generating a £1.6 billion annual turnover'. Just Ask Wales – Creative Industries brochure, 2015, p4

The effects of restricting movement

6. Currently, many productions may film on the European mainland, or utilise talent, both in front of and behind the camera, from the mainland. Having tougher visa restrictions and lengthier processes will not only increase bureaucracy, but potentially disrupt productions if the new restrictions prove unduly harsh. This is sometimes already experienced when involved in non-EU talent or locations. The animation and visual effects industry in particular relies on freedom of movement of EU nationals given the shortage of skilled talent here in the UK. DCMS figures show that in 2016, across the whole of the Creative Industries, 6.7%, or 131,000 workers, were EU nationals. This compares with 7.0% for the economy as a whole.³
7. To replace these people with home-developed production talent will clearly take time, and an additional concern is the UK Government's continued emphasis on STEM subjects (science, technology engineering and maths), which is causing a significant fall in the number of young people studying creative subjects in schools.⁴ We note the recommendation of the UK Creative Industries Council in its report on the EU and creative industries in 2017, as follows: "Government and industry should develop a joint action plan for an education and careers system that provides an urgent focus on the fusing of science and creative teaching in schools through STEAM (Science, Technology, Engineering, Arts and Maths), increasing uptake of creative courses and universal access to high quality careers information and guidance."⁵
8. In addition to the concerns regarding the skills base, markets such as MIPCOM, held annually in Cannes, are key to international programme sales and whilst they are not restricted to EU nations, it is an advantage to be able to access them as an EU member.

There is concern at no longer being able to access EU Media funding for skills and non-commercial PSB TV programmes and films

9. Currently, the Creative Europe programme funds skills and media content development on a series of criteria which take into the account the likelihood of that programming being made without such support. EU-funded apprenticeships are very important to the industry. The Committee will note the Creative Industries Federation report on the issues around leaving the EU, which states: 'The UK receives more funding than almost any other country through Creative Europe. The impact has been transformational in many parts of the UK's nations and regions.'⁶ According to a report delivered for the BFI in 2018, Wales received £24.4m, mainly from the ERDF (European Regional Development Fund), during the period 2007–2013.⁷

Potential loss of access to the Single Market

10. A significant number of TAC member productions have been sold into various EU countries in recent years. In its post-referendum paper on the likely impact of the vote on the creative media

³ Sectors Economic Estimates 2017: Employment - Creative Industries Sub-Sector, Department for Digital, Culture, Media and Sport, 26 July 2017

⁴ GCSE results confirm continued collapse of arts in schools. Arts Professional, 23 Aug 2018. <https://www.artsprofessional.co.uk/news/gcse-results-confirm-continued-collapse-arts-schools> . Accessed 8 Oct 2018

⁵ Creating a New World View: Priorities for the UK's creative industries following the decision to leave the EU: A paper for Government by the Creative Industries Council. 2017, p6

⁶ Brexit Report, Creative Industries Federation. Oct 2016, p29

⁷ Mapping Study of EU Funding of the UK Screen Sectors 2007-2017, BFI Film Forver / SQW

industries, Enders Analysis⁸ described Single Market access as “a major benefit” because of the “direct access it gives production companies based in the UK to export their output into other European markets.” The report concluded that membership of the EEA was crucial: “Our analysis of the impact of Brexit on display advertising spend and on the audiovisual sector, where we have focused on the TV broadcast and film/TV production industries, leaves us in no doubt that the EEA is the only way forward for a sector that has enjoyed such vibrant growth over the last few years, during which time the UK has benefited hugely from its membership of the EU.”

11. The Creative Industries Federation’s recent briefing on the impacts of a ‘no-deal’ situation stated that: “it would likely mean the EU applies duties and border checks that it reserves for third countries and vice versa, with significant delays. Furthermore, the UK will no longer be part of the Digital Single Market which could undermine digital services’ access to the EU.

AVMS Directive – Country of Origin Principle

12. Currently, some commercial broadcasters (e.g. NBC, Discovery) broadcast to the EU from the UK, but depending on the final relationship with the EU, they may move to mainland Europe in order to continue to take advantage of the Country of Origin Principle which allows them to work under one regulatory regime. If they do move, they may invest less in the UK independent sector, from which they currently commission a significant amount of original content. At present, the UK operates as a highly effective creative hub which is threatened by lack of access to the Single Market and regulations such as the Country of Origin Principle. According to industry consultation specialists Prospero Strategy: “Between 15-20% of UK employment for multichannel operators (about 1600 people) is associated with non-UK channels and this employment could be at risk.”⁹
13. The committee will note that the UK Government’s recent paper on the implications for the media industry if there is no deal when leaving the EU stated that, while other treaties may partially compensate, there is no guarantee of maintaining the same system.¹⁰ The Commercial Broadcasters’ Association, which represents many of the international broadcasters concerned, has continued to call for further clarity in the face of the possibility of companies relocating outside the UK, with all the loss of investment and strategic importance that would entail.¹¹

Negative effects on advertising and therefore broadcaster content budgets

14. Not long after the referendum result was known, ITV lowered its profit forecast¹² and the level of advertising following any leaving of the EU is still a case for uncertainty.

⁸ Brexit - Dismal media outlook. Enders Analysis, 1 July 2016

⁹ Brexit – What does it mean? Prospero Strategy, July 2016, p2

¹⁰ Broadcasting and video on demand if there’s no Brexit deal. UK Government, Sep 2018.

<https://www.gov.uk/government/publications/broadcasting-and-video-on-demand-if-theres-no-brexit-deal> accessed 8 Oct 2018

¹¹ COBA calls on Government to be ambitious on broadcasting. Broadband and TV News, 24 Jul 2018

¹² ITV cuts 120 jobs as Brexit uncertainty slows UK TV ad market. . Guardian, 24 October 2016.