



Welsh Affairs Committee

Oral evidence: Broadcasting in Wales, HC 450

Monday 18 January 2016

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Members present: David T C Davies (Chair); Carolyn Harris; Gerald Jones; Liz Saville Roberts; Mr Mark Williams.

Questions 186-210

Examination of Witnesses

Witnesses: **Iestyn Garlick**, Chair of Teledwyr Annibynnol Cymru (Welsh Independent Producers) and Antena Productions, **Gareth Williams**, Rondo Media, **Dylan Huws**, Cwmni Da, and **Nia Thomas**, Boom Cymru, gave evidence.

Q186 Chair (*Translation*): A very good morning to you. Can I start by welcoming members of TAC here this morning? Thank you very much for coming to give evidence to us as a Committee for our report on broadcasting in Wales. I understand that you would like to make an opening statement. Can I ask you, Iestyn, to start?

Iestyn Garlick (*Translation*): I have a very brief statement. First, I would like to say thank you very much for the invitation to come here and give evidence today and to add that we appreciate very much that you have made the effort, not only to come to Wales to hear evidence but, more important to me, that you have come to north Wales, an area that is very often ignored.

The only thing that I want to say, and the message that I would like you to take back with you, is that the plans for cutting the grant from DCMS should be shelved until the review of S4C has been held. There has been a lot of talk recently about this investigation and I would suggest, kindly, that perhaps this investigation should take place first, and, in the meantime, that the Government freeze the decision to cut DCMS money. I think that that in itself would send a very clear message to the BBC about funding S4C.

Can I also very briefly read a paragraph from a letter by Lord Hall that I got on Saturday? It says here, and I think it is very important that he has said it and that it is in black and white (*Continued in English*): “As you will be aware, the grant funding for S4C is not a matter for the BBC executive. It is administered through a funding and accountability arrangement with the BBC Trust and it is separate to the operational partnership that we have with S4C management. For this reason, I think it is appropriate that you speak with the BBC Trust with regard to your concerns”. (*Continued in Welsh*) I think that it is very important that that is noted and I would like you to take that message back. Thank you very much.

Q187 Chair (Translation): Can I just say—not as the Chair of the Committee, but as a Member of Parliament—that a lot of people of all parties have made representations to DCMS to ensure that funding for S4C continues? Let’s hope that we will get some good news soon.

To turn to the questions, I will start with this question: S4C commissions programmes rather than using its own studios, and perhaps that has given the private sector a good start, over the years, but how dependent are you on S4C now? We have had evidence that you get a lot of international contracts nowadays, which of course is very good news, but does that prove that you as a sector could do without S4C since you are not as dependent on it now?

Iestyn Garlick (Translation): I will start, if you do not mind, because my company, Antena, is a smaller company than those of my colleagues, and we do less work outside of S4C. I emphasise—and I think it is very important that you accept this—that some people have chosen deliberately to work through the medium of Welsh. They have chosen to move out of Cardiff. They have chosen to move to north Wales and to work in the independent sector in Wales. As you say, a number of people depend on S4C—perhaps so, but without the independent sector, without those people who have chosen to make programmes in Welsh, where would S4C be now? Who is dependent on whom? That is a question that should be asked and we should not accept the clichés about these companies, “hanging on to the apron strings of S4C”. Not at all; it is a choice.

Nia Thomas (Translation): Can I speak from the experience of another production company? Boom Cymru has been producing programmes for S4C for a number of years now. The company was established 22 years ago and there was a period when it was very dependent on commissions from S4C, and thank goodness for that. The company is still very proud of the number of programmes that it produces for the channel. We are very lucky that we have been able to extend our horizons in more recent years. We now produce fewer programmes for S4C than in the past, but also we produce more for the other network channels. However, I would emphasise that, without S4C and without a strong, robust S4C moving into the future, small, new companies, new entrants to the sector, will not get the same opportunities as Boom had. That is key, and we should remember that, because without S4C, the independent sector in Wales would not exist.

Dylan Huws (Translation): I would like to reiterate what Nia said. I am here not only as a TAC representative but also as managing director of Cwmni Da, which has its offices a stone’s throw from this building, Galeri. Cwmni Da was established back in 1997 and from the outset wanted to establish a company in this particular part of Wales. We had early support from S4C and, since that start off point, we have succeeded in getting work from many other places and customers. We do regular work for the BBC, for Channel 4 and also for the international market.

To reiterate what Nia was saying, without that initial support from S4C, there would not be an independent industry of any significance in north Wales. S4C’s support has been key to maintaining the industry’s growth. Nowadays, we still do a lot of work for S4C, and that gives us a backbone, in the same way that companies within the M25 perhaps very much rely on Channel 4 the BBC or other broadcasters for work. As a business, you go where your contacts are, where you know the market and also where you know your

audience. We feel that, in this part of Wales, we know our audience, we know what they want, and we can respond to that positively. Without that continued support from S4C, there would not be a viable, sustainable industry in this part of Wales.

Gareth Williams (Translation): If I can add to that, I agree with my colleagues. S4C is the great enabler for the independent industry in Wales. We also produce programmes for the BBC and Channel 4, but without the core series that we have developed and produced for S4C, such as “Rownd a Rownd”, which is produced here in north Wales, in Anglesey, we would not be in a position to develop our staff or to make key investments to grow the business. S4C is therefore critical to development and prosperity. You will also see, in S4C’s report, that S4C commissions from more than 50 companies throughout Wales. That is a key factor, and I believe that 81% of S4C money goes on content from the independent sector. That is essential and unique in Wales, so S4C definitely contributes to the growth of our businesses and others.

Q188 Mr Mark Williams: The point you make about mutual dependency is very important and I think that we all on this Committee celebrate the successes of new markets, particularly the international work that has gone on. I just wanted to probe you a bit more. Some of us have used the figure of 36% reductions in S4C’s budget. Going back to the time when the funding formula changed and the new arrangement with the BBC emerged, practically, with S4C facing cutbacks of that magnitude, what have you noticed as independent producers? What has been the impact on your companies or other companies in the sector?

Iestyn Garlick (Translation): First, it is very important that we put this in context. Yes, of course, there have been impacts on the companies, but you also have to remember that S4C itself has brought its overheads down to 4%. They have absorbed a significant amount of the cut. It has also been a happy coincidence during this period that the cost of technology has come down significantly. Equipment is cheaper, so that again has absorbed some of the cuts. Of course, that cannot continue, and one of the side effects of the cuts will probably be that S4C cannot make the programmes that it would wish to make. There are tenders going out asking you to be challenging, to be ambitious, and this, that and the other, but at the end of the day, they cannot afford to make the programmes they want. We put forward the ideas; they want to do them. Then they come back to us saying, “We like this idea. Can you give us costs?” and then, of course, the cost of a scanner is the cost of a scanner; that is how much it costs. They in turn then discover that it is not possible. I am sure that, between us, we can give you a long list of programmes that S4C would like to make, programmes that would increase the viewing figures, but it is just not possible.

Q189 Chair (Translation): That is a very interesting point. Is it possible for you to give us a percentage of how much equipment has gone down?

Iestyn Garlick (Translation): I cannot tell you today, but I am sure that we could give you those figures. I can give you an example. Years ago, an Avid editing machine cost more than £100,000. Now you can get a machine that does more than the original machine for about £20,000.

Gareth Williams (Translation): I do not think we should be blinded too much by technological cost savings. If you look at the statistics, you mentioned 36%, and there has been a 35% reduction in cost per hour. Drama, which used to cost £200,000 per hour on average on S4C, now costs under £140,000 per hour, so the reduction has been significant.

Chair (Translation): The only reason I was asking is that I want to put the questions to the BBC.

Q190 Liz Saville Roberts (Translation): You mentioned in your presentation—I do not think this comes up in another question—your desire, or your feeling that there is a need for an independent review of S4C. What would be the parameters of such a review? What would you expect it to consider?

Dylan Huws (Translation): First, there has been talk of a review of S4C over the months and years, and I think I may be right in saying that there has never been a review of S4C since it was established. Now S4C itself is calling for a review.

I would like a totally independent, transparent review. S4C's current remit states that its main purpose is to create TV programmes in the Welsh language. S4C was established when there were four television channels. The world has obviously changed completely since then, so the review needs to consider all types of things as well as the reasons for establishing S4C in the first instance. What is its purpose? And is the funding sufficient for that purpose? There has been a lot of talk and discussion - in documents—and in committees—about sufficient funding. Sufficient funding for what? I'm sure that any reasonable person will say that the money is not sufficient for what S4C is trying to achieve at the moment across a number of different platforms. We, as producers, are coming up with ideas and projects for television, digital and multi-platform productions, but there is no more money to do that work. We are still working on budgets that were originally intended for creating just television programmes.

Q191 Carolyn Harris: Good morning. I am sorry I do not speak Welsh. You commented about coming to north Wales: as a south Walian it has been an absolutely wonderful experience to come to north Wales.

It has been noted that there is a significant reduction in English language programming in Wales for Wales and, if I can add to that, in English about Wales. It is very sad that I can name “The Indian Doctor”, “Stella”, “Gavin & Stacey”, “High Hopes” and “Hinterland” as probably the top five. What impact is that having on your industry? Do you pitch outside the BBC and S4C?

Nia Thomas (Translation): Speaking on behalf of Boom, we produce programmes for BBC Wales and also for the BBC network, but we win very few network commissions. The number of BBC Wales commissions that are available has reduced significantly, and that is a pity. We produce much fewer BBC programmes than we did in the past, but what is also key is that perhaps the BBC must acknowledge, if it can do that, the importance of enabling local companies in Wales to get access to the commissioners in London. There is a problem in that respect, and, without that access, it is very difficult for us to raise our voice and get our voice heard beyond the border.

I do not want to underestimate the value of programmes made from Wales for the Welsh audience—they are essential for us as a company—but there is room for improvement when it comes to enabling companies to have access to network commissioners. That can be very frustrating. We are fortunate: we also produce programmes for Channel 4, but Ofcom's quotas for the nations have benefited us significantly. The quotas for the nations have increased—I think by 2020 they have to increase from 3% to 9% and that has had a

positive impact on our company and other companies in the nations. I would encourage that approach to be continued in future.

Gareth Williams (Translation): I think that Channel 4 has improved significantly in engaging with a wide range of companies, as well as the companies here today, companies such as Telesgop, Avanti, TiFiNi, which is a relatively new company that has received commissions. Channel 4 has also been coming to Wales more often to meet producers, to do commissioning sessions and to view commissioned programmes. I think the relationship between a commissioner and the producer sitting down, watching and responding to programmes is very important.

On the BBC, it greatly concerns me to see in the reports from Ofcom, that, for example, as you said, there are 100 fewer hours of English programmes in Wales since 2008. That is definitely a worry. They have this process called “nations to network”, which sounds like a hotel upgrade. I am not sure that that is working very well. If misused, the nations can end up subsidising the network with the network getting productions far more cheaply than if they commissioned them directly. I think we have to find more sensible and wiser ways that benefit BBC Wales more, for example, in co-financing projects to get programmes on the networks. At the moment, I do not think that commissioning procedure works. Certain evidence from Lord Hall points in that direction, due to the lack in Wales of certain key genres highlighted by him.

Q192 Carolyn Harris: Yes. I asked this question of ITV. I asked them why they were not showing more English language programmes about Welsh life. They told me that they were not having the ideas. Nobody was pitching to them to allow them to put them on air. That is basically what I am asking: have you got the ideas and are you pitching outside S4C and the BBC?

Gareth Williams (Translation): In the case of ITV, one of the commissioners came to Cardiff very recently. Certainly in our case and I am sure in that of my colleagues, ideas were subsequently offered to them, so we are just waiting for a further response and reaction.

Dylan Huws (Translation): Can I add to that, because it is very pertinent that you are discussing whether we pitch outside Wales? Yes, we do that regularly. But when your core customer is cutting back, as S4C is cutting back on its budgets and the money is getting less companies’ ability to provide and to continue to fund R&D reduces. You are squeezed and you cannot step out of the position that you are in. Maintaining development and having people of high quality costs money. It is seen as an expensive overhead in a period of austerity, and the question is whether you can maintain that overhead.

I would like to respond to Mark Williams’s question about what effects these cuts have had on companies. The concrete impact it has had on a company such as ours is that last May we went through a process of redundancies, something that we have never had to do before. We now employ 53 people full-time; at one time, we employed about 73 people, and several freelancers on shorter-term contracts. That is one concrete impact. Salaries in our company have been frozen for four years. There have not been any significant pay increases in the company. That then puts pressure on us to keep our talent, and especially our ability to develop our young talent who are coming out of colleges. Bangor and Glyndŵr Universities produce young, very talented students, but if there is no

infrastructure or sustainable industry in this part of Wales, how are we going to hold on to these young people and develop them for the future?

Q193 Liz Saville Roberts (Translation): We have heard quite a bit about the amount of provision for Wales and how that has reduced since 2008. Ofcom has talked about reductions of 30% and, as we have already heard, news and sport have held their ground but the other provision has changed. Looking to the future in the context of BBC Wales, changing the policy and moving the cost from free TV licence for over-75s will mean that possibly there will be about a fifth less money for the BBC. Considering the cuts that have already taken place and looking at that possibility for the future—and I think the Government have said that a corresponding cut will be made to S4C through the money from BBC—how do you predict that will look in the future for you? How will it affect you and your companies?

Nia Thomas (Translation): It is very serious. Independent companies in the sector in Wales will not be able to continue to absorb cuts upon cuts. That is the truth of the matter. Inevitably, cuts of 35% in budgets results in an equivalent impact on the economy and further cuts will mean that there is a danger that some companies cannot continue to operate. As Dylan has pointed out, further cuts will have a detrimental impact on our ability to develop talent and skills for the future and to invest in technology and facilities. S4C is facing a huge problem in that they cannot invest in future technologies. For example, there is a real need for them to look at relaunching an HD service, like Clirlun. It stands alongside other channels and the broadcast picture quality is obviously different, which is a problem for them. It is also very important that the channel is fit for purpose for the future. Without sufficient funding, this will not be possible and we will all suffer as a result. The sector will deteriorate, people will lose their jobs, and others will move over the border to work for companies outside Wales, which will have a negative impact on the sector and on the economy.

Iestyn Garlick (Translation): Also, according to S4C figures, they are already repeating programmes by up to 56% of the content. That means that only 44% of original stuff exists, which is not a lot, is it? We are all trying to make a livelihood out of that, as Dylan said to earlier. They had to make redundancies, and we, too, as a company, have gone down from 50 staff to 15 staff, so it is detrimental. And that is the past; we are not talking about next week after any additional cuts. This has already happened. I do not like to think what will happen.

Gareth Williams (Translation): It is also an opportunity for us to start looking for answers, and some of them are beginning to come to the fore. The BBC is in a position where, very often, Wales does not have enough responsibility for how the money is spent, prioritised and distributed within the various services, mainly because those services are tied to different service licences. We have to have a better system, whereby that is put together, so that there is a way of getting speedier and more effective decisions about priorities and spending, and so that we are not looking at a lack of hours. The Drama Village in Cardiff is interesting because there is no direct commissioning power there. As we have said, Channel 4 is meeting producers more often. The BBC needs to work harder to engage with Welsh companies in the independent sector to strengthen the portrayal, to enable them to develop ideas and get more productions on the network. I think that will bring more investment from the BBC into Wales.

It worries me that they are cutting bits here and there. If you look at DQF, the last process the BBC had, I think Radio Wales and Radio Cymru did horrifically badly out of those cuts. There are now 50,000 fewer listeners to Radio Wales, for example. At the end of the day, they are having to cut back on how they market the product, the range, how much they can commission, the variety, even the ambition, and that means a deterioration in viewing or listening figures. Then you are in that downward spiral. If that does not change, it will continue as a downward spiral with more cuts.

Nia Thomas (Translation): The programmes we produce will also suffer in terms of production values. There is no reason at all why S4C programmes should not have the same production values as network programmes.

Q194 Chair (Translation): I obviously understand your viewpoint on cuts and I think that the quality of programmes that appear on S4C is very high. “Hinterland” is going out on Netflix now, albeit not in Welsh for some reason. I do not know why. At the same time, not enough people are watching S4C because, as you said, there are a lot of other programmes on Sky and so on. How can we encourage more people to watch S4C? As we would say in English, “use it or lose it”.

Gareth Williams (Translation): S4C has become an enabler for the production of content that can be seen around the world. “Hinterland” is a good example. Recently, we have been doing co-productions with a company in South Korea called JTV. We did a production on the war in Korea, “The Forgotten War”. That was watched by 5 million people in South Korea. There is another production about the photographer Philip Jones Griffiths and Vietnam. There is huge potential to get more S4C content to be seen internationally. We produce programmes, such as “Rownd a Rownd”, that can now be watched internationally. It is very heartening to read in the recent S4C report that there has been a huge increase in the number of people who watch in the UK and the number of viewers online. The iPlayer is a fantastic example of how S4C and BBC have been able to work together to put S4C services on the iPlayer. That has meant that more people watch it.

Alongside that, political decisions around funding have been made on the basis of one set of figures by BARB, which has about 6,000 boxes throughout the UK, which does not take into account viewing figures on Catchup and on other platforms, nor the number of viewers under four who watch children’s services on S4C. As you said, a lot of the content is very high quality. There is an audience for it, and the audience has expanded in a number of areas. We need to build on that.

Nia Thomas (Translation): We have to look at the figures alongside those of other channels. From my understanding, the reach of other channels in Wales is down by more than that of S4C, and S4C’s reach in the UK is up by about 10%. We have to take into account all the changes in technology, the availability of new platforms and the fact that people’s viewing habits have changed substantially. As Gareth has pointed out, technology allows people to watch on platforms that are not measured by BARB. It is therefore misleading to say that people are not watching programmes. I think the desire is there to watch.

Q195 Mr Mark Williams: I think so much of that points to what we touched on earlier about the case and the need for a separate review of S4C. I want to ask you about governance

arrangements and the fact that the BBC is currently being reviewed. How would you like to see the BBC's governance arrangements reformed as they affect Wales? Specifically, do you think S4C is being given due consideration throughout the process as it is being rolled out now?

Gareth Williams (Translation): This idea of who engages with whom and how decisions are made is very interesting, isn't it? If you look at a fairly far-reaching decision being made, as far as I can see, in a meeting between the Chancellor and Tony Hall about the BBC and the letter that arose from that, at the moment, as the arrangement is set, the S4C Authority has a relationship with the BBC Trust. The majority of evidence suggests that the BBC Trust will not exist in the long term, from the options on the table for a new system for regulating the BBC. There are things like Ofcom to be considered, and I can see a lot of sense in that, given the expertise that Ofcom has in that particular field: a sort of "Ofbeeb" perhaps, a new regulatory body. The idea of having an external regulator for the first time in the history of the BBC will be very interesting. I think that there is a need for external regulation of the BBC, especially if the BBC becomes more commercial in its way of operating, and crucially with BBC Studios proposal. We have to be very careful around defining its core role as a public service broadcaster and its aspiration to operate as a commercial company.

As we have already said, there is a great need for a review of S4C, looking at the regulation of S4C as part of that, rather than as an appendix at the bottom of an agreement about the future of regulation of the BBC, if that answers your question.

Q196 Mr Mark Williams: It does, and I think it is very important that, in the BBC charter review process, we make the case very loudly for that independent review for S4C, otherwise we are going to be lost, aren't we? It will be that appendix at the bottom of whatever is concluded with the BBC, and it will miss some of the fundamental points that we have been talking about, whether it be funding, governance issues or whatever.

Gareth Williams (Translation): The letter that has already been mentioned—I think that you referred to it—stated that it will be up to the Government to decide on how to fund the shortfall. What shortfall exactly? There is already a shortfall in the money that has been offered by DCMS to fund S4C. If we are looking at another shortfall from the licence fee, will the Government step back in and fund that shortfall? It is not clear in the way that it has been set out.

Q197 Mr Mark Williams: It is not clear and it was not clear from the moment the Public Bodies Bill emerged in 2010 when it vested that—I cannot remember the exact phrasing—the Minister would provide sufficient funding. I am not sure he has the mechanisms to guarantee that anyway, and that is the problem, isn't it? Does anybody else want to add anything in terms of S4C as part of the review process?

Dylan Huws (Translation): Perhaps one point: the review should consider S4C as an independent body, so it is an integral part of the review that it considers S4C and its independence. That should be at the centre of the report. I think that is very important as part of the review.

Q198 Chair (Translation): Can I ask something here? At the moment, money from the licensing fee goes to the BBC and the BBC passes that money on to S4C. What about taking

the BBC out of the picture and just sending the money directly from the TV licensing fee to S4C?

Dylan Huws (Translation): Are you suggesting that? Perhaps that would be an answer to a huge problem. I think you have hit on an integral point here. Our nervousness and our concern is that the BBC is seen as a funder of S4C, when we see it as money from the licence fee. How it is then distributed is the problem; certainly I agree with you.

Iestyn Garlick (Translation): Yes, people are continuously making the mistake of saying that S4C is funded by the BBC. That is not true. The BBC and S4C are funded from the same place, and I think it is essential that we make that difference clear. If it is possible to split the money, put it to one side, then decide what is sufficient money and that it is index linked for the future, that would be fantastic.

Q199 Gerald Jones: I think we have touched on this subject, but is there anything more to add about the current operating agreement between the BBC and S4C? Would you like that current arrangement to continue into the next charter? I suspect from what you have been saying that you would like some changes.

Iestyn Garlick (Translation): As I see it at the moment, the agreement seems to be working fine. We were part of wording it in the first instance. The only area where we would possibly like to change the wording is this business whereby the BBC has the right to withdraw S4C money in extremis. We never agreed to that. We never thought that it was right or acceptable. Apart from that, personally, we are quite happy with the agreement.

Q200 Liz Saville Roberts (Translation): If I may refer to the letter of 3 July last year to Lord Hall from the Chancellor and the Secretary of State for DCMS—forgive me for quoting in English—it states: “The BBC’s grant to S4C may be reduced by an equivalent percentage reduction in funding to the percentage reduction made to BBC funding over the period 2018/19- 2020/21. It will be up to the Government to decide how to make up the shortfall.” So far, we have been talking about the cut from that percentage of DCMS but, as said earlier, there is a further share there, where the Government are saying that they will decide whether they will make up the shortfall or not. How much emphasis is put on this? I can see that this is the elephant in the room. It is significant money.

Iestyn Garlick (Translation): Yes. As Gareth said earlier, at what point will that shortfall start? Are we talking about the shortfall from now, or the shortfall that obviously already exists? I think we have to fight, and every time someone asks the question we do not get a sufficient answer.

Dylan Huws (Translation): When we talk about a shortfall, what are we talking about? A shortfall of what? A shortfall usually means that there is a shortfall from a target, but at the moment we are not sure what the funding should be. I never thought that we would be sat here discussing how much is sufficient funding for S4C in order subsequently to determine the level of shortfall. At the moment, before a review, I am certainly of the opinion—it is my personal opinion—that, if there was a review, we would find that S4C needed a significant amount of additional funding, considering its ambition and what it wants to do. Therefore, the shortfall could be a significant sum. At the moment, the shortfall is

perceived as being perhaps a very small sum, but I think it will be a significant sum if you look at it in detail.

Gareth Williams (Translation): There has been a huge saving in moving so much of the funding over to the licence fee. I think there is a statutory responsibility in the Public Bodies Act 2011 to ensure that the funding is correct and appropriate. The danger is that the decision about the money and the percentage of money from the licence fee will be made before S4C has a fair, thorough review that sets out the argument for why the funding should be X. That is worrying. Who will make that decision? Will that decision be made by the BBC Trust in the meantime, as the custodians of the licence fee, before a new organisation is in place, or will the Government intervene if the decision is detrimental? You can interpret that point in the letter that you referred to in a number of different ways, I would argue.

Q201 Gerald Jones: There has been a suggestion that the BBC commissioning is over-centralised and fails to address the needs of audiences in Wales. What is your experience in that area?

Dylan Huws (Translation): Sorry, are you talking about BBC Wales or the BBC network here?

Gerald Jones: The BBC commissioning process generally, I suppose.

Dylan Huws (Translation): From our perspective as a company, we do work for BBC Wales, and we often find that there is an element of disconnect between the broadcaster in Wales and the broadcaster in London. We did a series with Michael Sheen fairly recently where he travelled around Wales talking about whether people voted and so on. It was a very relevant issue and I thought that would be interesting beyond Wales, but who is responsible for pitching it? Do we expect BBC Wales to help us to make that link to London, or do we go there ourselves? We are then left between a rock and a hard place, if you like, in the sense that we do not want to affect our relationship with BBC Wales by going straight to London to look for the money, but if we get a hook in London, it means that more money can come to do the production in Wales. I think we need to look at the paths and the links and how that all happens, because it enables us to raise more money from outside Wales to spend in Wales.

Nia Thomas (Translation): Our BBC Wales commissions, from time to time, though rarely, reach the network, but that is through the nations to network process. That means that the company gets a small uplift in the licence fee, but programme is not as high as if we had had an original commission from London. That means that there is a danger that the production values are possibly not as good. If that is the way that the Welsh voice is heard over the border, we are at a disadvantage there. If a much higher budget was given to companies to produce these programmes in the first instance, naturally we would see the benefit of that, and people would get more experiences and better and wider skills on the productions. That is a problem, yes, from our experience.

Gareth Williams (Translation): I think that producers can find a unique route to market sometimes. You referred to the series, “The Indian Doctor”. We produced three series of that drama. That was commissioned originally by BBC Daytime, not by the drama commissioner, but by someone who is responsible for hours and hours of Daytime content.

It was co-funded by Adrian Davies, who was head of English services and programmes at BBC Wales. There was not a drama commissioner anywhere near that drama, which is quite unusual, but I still think that there is a loss of individuals who can make direct decisions about network commissions. The BBC likes giving things to commissioning executives, and if you are a producer, you want to talk directly to someone who can say yes or no, but very often, you go to these go-betweens, who feed back to different people, and that can take a lot of time. It can be a bit “cumbersome”—that is the English word I would use to describe it. Perhaps that needs to be simplified and better access to the commissioners needs to be provided.

Nia Thomas (Translation): BBC Wales’s quota reflects that. I think that 6.5% of the quota comes to Wales, but we have to remember how much of that is produced from Roath Lock. Those are mainly in-house programmes.

Chair (Translation): Right, we will now turn to Roath Lock.

Q202 Carolyn Harris: In September, the BBC announced that they would establish the BBC Studios and that they were going to make programmes for themselves and for others. Do you see this as an opportunity for you as independents or do you think it is the BBC crowding the market?

Iestyn Garlick (Translation): Personally, I do not think it is something that the BBC has thought through, certainly in terms of Wales. I think they are coming to this idea of BBC Studios where the BBC itself is going into the process with contracts worth £400 million or so. Where will a small company in Caernarfon be able to compete with that? I do not know. I personally do not think it is a good idea.

Q203 Chair (Translation): Is it fair for small companies?

Iestyn Garlick (Translation): On the face of it, it does not appear fair and I would need to be persuaded that the process would be fair and transparent.

Nia Thomas (Translation): “The proof of the pudding is in the eating.” We need to ensure that there is a sufficient distinction between the external commissioning process and that of BBC Studios. They should possibly even be based from different locations. I understand that the BBC has committed to open more in-house programmes to the independent sector, and targets have been agreed with PACT, as far as I know. But I repeat, the proof of the pudding is in the eating.

Gareth Williams (Translation): I think there has been a change of viewpoint recently in the wake of the discussions with PACT, and it would perhaps be worthwhile our sending you a copy of that document, which is a memorandum of understanding about BBC Studios at the moment. Remember, it is a risk for the BBC as well because I saw a piece by them where they tried to put themselves in an international context, and they compared themselves with some of the global giants that work in the industry. It is not in the nature of fierce commercial competitors to step nobly aside to allow a new player into the market, so I think it could be very difficult for the BBC to do everything they hope to do at BBC Studios.

There is also a tension with what BBC Worldwide does, which of course sells productions across the world, funds joint co-productions with other broadcasters and invests in

production companies. You could argue that BBC Worldwide is commercially successful. It is very profitable. I think it is run very well as an entity. Then you have BBC Studios. My concern is that everything is put on a plate for them because they are coming from a starting point with these titles that they produce internally, and they are trying to attract more income from other broadcasters. Are those two things going to sit comfortably alongside each other in the remit of a public service broadcaster?

Q204 Carolyn Harris: Do you see this as the BBC having a monopoly on it?

Dylan Huws (Translation): I think that we, as producers, can compete with any other producer, but only if it is a level playing field. You have BBC Studios, which is being established on the back of a huge corporation that has a huge amount of public money, a lot of infrastructure and a lot of expertise. Will they have to live off the work that they win, just as we have to do?

Carolyn Harris: No, they will not.

Dylan Huws (Translation): That might be a fundamental question that we need to look at. What would be the impact if BBC Studios started competing for work from S4C? Where does that leave people like us? The money for commissioning productions is going down and we are finding it difficult, as I said previously, to maintain research and development and our ability to employ producers, people who pitch for ideas. If it is a level playing field, fine, but...

Nia Thomas (Translation): There will be a need to ensure transparency and that is obviously something that we will all emphasise and push for over the next couple of years. The independent sector has competed successfully against BBC in-house in the past, so let's hope that that will continue to happen, but transparency will be essential in the new climate.

Gareth Williams (Translation): In terms of transparency, I note here from the recent MOU, where there has been a requirement, "whereby there is also external regulatory oversight of the relationship between BBC Studios and BBC Worldwide." PACT is asking for that oversight; the BBC is not asking for it. That is the sort of example that we have to be very careful about. How commercially freely will the BBC be able to operate?

Carolyn Harris: Very good points, thank you.

Q205 Liz Saville Roberts (Translation): You have talked about the impact of BBC Studios and Roath Lock. Another consideration to go alongside that is: how does the BBC link the programmes that are produced from those studios, and "This is our investment, this is our gift to Wales", with Wales? Although we welcome "Sherlock" and "Doctor Who" and so on, there is no talk of Wales. You might happen to know that "Sherlock" and "Doctor Who" are produced there, but that is it. The investment in the economy is a good thing, but where does that leave us in portraying Wales? What about our self-image as a country, holding our Government in Cardiff to account? What about the different events, such as the Royal Welsh Show? We have some of these things in Welsh, but nothing in English, and things are missed in both languages. So there are two questions. The wider question is how that affects us as a country. Hand in hand with that, how do you as producers go about portraying our country in the world that we live in?

Iestyn Garlick (Translation): I agree with what you say about “Sherlock” and other programmes, that they do not represent Wales in particular. However, to be fair, many technicians who have cut their teeth on “Pobol y Cwm” and on BBC programmes in Wales have moved on and had significant successes in network programmes in England. That would not have happened if not for this, so one hopes that those people will perhaps come back and produce programmes for S4C. It is not all bad news, but I accept the point that you are making.

Insofar as what we do in terms of selling Wales abroad, it is very difficult. I don’t know. Can anyone add anything?

Nia Thomas (Translation): It is difficult. We can only portray Wales to the UK only if the content is commissioned in the first place. Obviously, we are very proud of the fact that we produce programmes that represent Wales to the people of Wales, and I think S4C does that job very well in terms of the nature of their commissions. It is impossible to portray Wales without the relevant commissions. “Hinterland” has done the job very well, but that is a rare example, as it is challenging to raise the money to enable companies to produce those types of high-end programmes.

Dylan Huws (Translation): Am I right to think that representing our country to ourselves is the first thing we should do?

Liz Saville Roberts (Translation): Yes, in several aspects.

Dylan Huws (Translation): Yes, and I think we all agree that we need to see ourselves reflected back through the screen. If we are not seeing ourselves, we disappear. For example, the difference in the way that the BBC approaches its programmes is that it is under pressure from other channels. It has to compete with the same type of content, and the type of content that gets the viewers in is the more entertaining stuff, the stuff that perhaps makes you laugh, or smile, rather than stuff that is a bit more difficult to broadcast because it does not result in good viewing figures. The figures are looked at and people are criticised because of the figures.

The same thing is true for S4C, but it is double the problem for them. It is a smaller channel, a smaller number of viewers. It is trying to create programmes for a wide range of people. It has to be BBC One, BBC Two, BBC Three, BBC Four—all things to all people. That is very difficult with the funding it has. If something does not work as a programme, the viewing figures are so much less, but that is not to say that there is no value to the programme, or to the production. I think that that is something that has to be looked at in terms of reflecting ourselves back to ourselves: how is that measured?

Nia Thomas (Translation): It is difficult as well because the hours available for regional channels are very limited, apart from S4C. ITV commissions only 90 minutes a week of non-news programmes and BBC Wales is limited in terms of available hours. They are restricted in terms of how many programmes they can commission for the Welsh audience. There needs to be a greater commitment from London to commission more content on a network level that reflects life in Wales.

Gareth Williams (Translation): I think that is the key point. The appreciation is high in Wales. I think it is higher in Wales than anywhere else in Britain in terms of the content

and services of BBC. When you talk about 100 fewer hours of English content since 2008, the majority of that is not current affairs and news: they remain a cornerstone of the service. The majority of that content is in factual programmes, entertainment, dramas—and those have been lost. That element of portrayal of Wales possibly is diluted. If you talk to commissioners—there is a commissioning round open with BBC Wales at the moment—they will get hundreds of ideas fighting for a very small number of slots and budgets that have also shrunk recently. It is getting more difficult for them to get the balance right, for them to get the variety, and, of course, they want to prioritise Dylan Thomas’s anniversary, and notable national events such as that. Getting the balance right and broad is difficult for them because the slots and the money are not there.

Iestyn Garlick (Translation): I do not see anything amiss with going back to the period where we had programmes such as “Nationwide”, for example, where all the networks contribute to one programme. Why does all the funding for programmes about Wales have to come from Rhodri Talfan’s budget? Why can’t it come from the central budget in London? Why, when we have programmes such as “Weatherman Walking”, can’t we have “Weathermen Walking” across Britain—Scotland, England—so that we can see them? I have no problem seeing parts of England portrayed, just as I am sure that people in England have no problem seeing parts of Wales. If we do not mix these things up, if we do not share ideas—share what we have to offer—people will not know, but that money has to come from the central pot. It does not have to come from the fairly small budget that Rhodri Talfan has. He is doing his very best with the budget, but I think that possibly we need to look wider.

Q206 Liz Saville Roberts (Translation): From what you are saying, there is something very London-centric in the commissioning process, so there is a question about that, isn’t there? Isn’t it fair to say that the cuts that Wales is seeing through S4C, through the BBC, all make sense if you are sitting in London and you are cutting things—whittling them down bit by bit? What we do not have without the review is a picture of the side effects in their entirety. Wales’s needs are therefore missed.

Gareth Williams (Translation): I also believe that one or two or three or four individual programmes will not make a difference. If you want to transform things, you need to get a volume of series that return to our screens. That is why I would argue that it has worked fairly well in Salford, for example, where there are more commissioners based there who commission directly. They know to what end they are commissioning and so on. The picture is not as clear, and perhaps you have seen a recent piece about Scotland, where Tony Hall admitted himself that, in reality, some new thinking was needed. I think it was Steve Hewlett’s radio programme that recently interviewed the Culture Minister in Scotland, Fiona Hyslop. They were asking: how much money is spent on the orchestra? How much money is spent on radio services? How much money is spent online? So many different figures are thrown out. It is not clear what the total spending is, what is central and what responsibility the devolved countries have over that spending. I think that is a change that the BBC will have to face.

Nia Thomas (Translation): Just to go back to the perspective of a production company that employs a number of staff that have an ambition to work on network programmes. We are very proud, as I said earlier, of the content that we produce for S4C, BBC Wales and ITV Wales, but there is a threat that talent will leave Wales to pursue these ambitions.

They leave Cardiff, Caernarfon and other locations in Wales to go and work in London. That causes me grave concern and is happening more often.

Q207 Chair (Translation): I think that is a general problem, isn't it?

Nia Thomas (Translation): Yes, but the industry in Wales needs to prosper. The creative industry is growing in Wales, and there is a real danger that we will lose our talent.

Gareth Williams (Translation): I know it happens in every industry, but a lot of that best talent have had their first opportunities on series on S4C or BBC Wales. If you shrink S4C and BBC Wales more, there will be fewer series for those people to get their first opportunities, and then the ability to move forward. We are worried about the next generation of producers, authors, directors. There will not be enough opportunities and new places for them to enter the market to make a name for themselves. That is the long-term danger.

Nia Thomas (Translation): It is a threat for succession in the sector if things carry on as they are.

Dylan Huws (Translation): I think it is also relevant—just one very brief point—given that we are in this part of Wales. Part of the challenge for us in north Wales as production companies is not how to retain people and stop them going to London and Manchester, but how to stop the drain to Cardiff. We do not want to lose talent that we have invested in, but we understand that people want a new challenge. But if they all leave and companies lose confidence, what will be left? Who will find stories to reflect in programmes and different TV productions for audiences in Wales? We are currently doing a series for the BBC about Anglesey. Who will tell those stories that should be seen by people throughout Wales?

Q208 Mr Mark Williams: We are coming to the end of my questions. This concerns the impact of new technologies. I am mindful of the fact that, even if we use the skewed figures of viewing S4C, their annual report of 2014-15 identified a 6% fall in the number of S4C viewers in Wales—and they are skewed figures—however, a 31% increase in the number of online viewing sessions of S4C, a 23% increase in the number of people viewing S4C throughout the world, a 232% increase in viewing of Clic on mobile devices in 2013-14. That shows a clear direction of travel. By way of background also, we have—and somebody mentioned this earlier—the cessation of S4C's high definition service. That is by way of background. Going to the question: do you think the public sector broadcasters are sufficiently equipped to make the most out of those all-essential technological advances? I suspect there is a funding impact issue there as well.

Nia Thomas (Translation): I think S4C is definitely on the back foot when it comes to its ability to invest in new technology. Channel 4 in particular has invested a significant amount in digital developments, and I think that is evident. The BBC has its R&D department, which allows it to make significant investments in future technologies. But S4C does not have the same resource to invest. As I said earlier, it does not even have its HD channel, Clirlun, anymore, and that is a pity.

Gareth Williams (Translation): Consider as well that the product we are producing for is created in high definition. The product is to be broadcast in HD,

Nia Thomas (Translation): So it is ready for them.

Gareth Williams (Translation): Yes, it is ready for them and it is sold to and shown in other countries in HD. It reflects poorly on S4C and also on BBC Two Wales. BBC Two Wales does not broadcast in high definition and that is very obvious when you watch sports events. You notice the difference in the quality of the picture.

Q209 Mr Mark Williams: That is the practical reality. That is the real world. That is what is happening or is not happening. Where is that going to lead us, the absence of that kind of service that by all accounts the consumer, if you view the viewing public as a consumer, wants?

Nia Thomas (Translation): If you put BBC One on and the rugby is on, for example, and you switch over to S4C to watch it in Welsh, there is a likelihood that people will switch back to BBC because of the quality of the picture. That is already happening. I am talking about S4C in particular here because BBC Wales has the support, obviously, of centralised funding. S4C will have to follow viewing habits, otherwise they will lose viewers. That is a key issue, in the context of S4C, for the Welsh language and ensuring that people can watch content through the medium of Welsh on different platforms. If not, there is a threat to the development of the language as well.

Dylan Huws (Translation): Perhaps the danger is that S4C could be channelled and discussed in a digital-only way, in the same way as BBC Three is only online. We would not wish that to happen because S4C is a national broadcaster. It is a PSB. It should be out there, on the EPG—the electronic programme guide—in the same way as BBC One, BBC Two and so on. S4C should be there. It should be visible to everyone rather than just set aside on digital platforms. I think there would be a real danger there, even though it is very simple to analyse the fact that there is an increase in the other platforms in terms of viewing figures, but that is partly because S4C has done so much work from almost a zero start position. Their digital side had not developed in the past, but in the past couple of years they have developed their digital side incrementally. It is now in a fairly good position, but will that count when you look at viewing figures, the channel reach, funding the channel? The danger is that we might get to a position where only the digital side is funded, and the more traditional TV side falls behind. That is something that we would certainly see as a risk.

Chair (Translation): Thank you very much. I have not gone to sleep. It was a great pleasure to take your evidence and obviously it is up to us now to discuss these ideas. I think that we will have some refreshments with you later, so we will have an opportunity to discuss then. Thank you very much to everyone.