

Written evidence submitted by Teledwyr Annibynnol Cymru / Welsh Independent Producers

Response to House of Commons DCMS Select Committee inquiry on the Future of Public Service Broadcasting

June 2020

Summary

- The UK's PSB system has contributed greatly to a wealth of high-quality diverse content which has enriched and enhanced the UK culturally and socially, and also grown our TV production sector into a world leader.
- While technology has caused shifts in viewing habits and access to a wider range of services, the level of public investment plus the specific remits for the PSBs means they remain as important as ever.
- PSB continues to draw large audiences and services such as the BBC have shown their value, particularly during the pandemic.
- TAC believes that any changes to the system should be only to enhance it and allow it to remain strong and well-funded. It is inadvisable to remove or reduce any funding or services, given that technological platforms come and go, and the purely commercial broadcasting world is a continually changing market with an ever-shifting range of companies, content and services. Likewise, a shift to online only would leave some viewers without any access to a reliable TV PSB service.
- Future policies regarding PSB should focus on maintaining and strengthening the system and would include measures such as: extending rules around PSB prominence; protecting TV Licence Fee funding (including retaining the status of evasion as a criminal offence); maintaining broadcast over the digital terrestrial network; and maintaining regulation by Ofcom.

Introduction

1. TAC (Teledwyr Annibynnol Cymru) represents the independent television production sector in Wales. Our sector is a highly important element of the creative industries in Wales and the UK overall, providing economic, social and cultural benefits through supplying creative content. There are around 50 companies in the sector, ranging from sole traders to some of the leading players in the UK production industry. They produce content for the BBC, ITV, Channel 4, Channel 5 and Sky as well as other commercial broadcasters. They produce almost all of the original television and online media content for the Welsh-language broadcaster S4C, and a variety of radio productions for UK-wide networks.
2. In recent years, Wales' reputation as a centre of first-class drama production has grown significantly with productions such as *35 Diwrnod*, *15 Days*, *Un Bore Mercher / Keeping Faith*, *Bang*, *Craith / Hidden* and *Y Gwyll / Hinterland*. Our sector also offers a great deal of expertise in genres such as factual documentary, children's programmes, sport and entertainment.

Overseas programme and format sales have increased, and our members are also experienced in international co-productions.

Answers to Specific Committee Questions

Regulation:

Are the current regulations and obligations placed on PSBs, in return for benefits such as prominence and public funding, proportionate?

3. In general, the regulatory regime for PSBs remains proportionate. PSB benefits from EPG prominence on terrestrial platforms and Ofcom recommended greater prominence for PSB on UK-based platforms such as Sky, Virgin Media and Freesat in its report last year¹. In return they gain access to spectrum and, in the case of the BBC and S4C, a significant amount of public funding. In return, it is important it adheres to regulatory guidelines designed to maximise its distinctiveness and its benefit to the creative industries.
4. It is crucial to maintain the regulated terms of trade between UK PSBs and the independent production sector. These have allowed the companies creating TV content for the BBC, ITV, Channel 4 and Channel 5 to retain their intellectual property (IP) rights and maximise audiences for their ideas through distribution in secondary and international markets. The independent TV production sector's total revenue was £3bn in 2018, including £962m in international revenue.² This huge increase in sector value has flowed back into the UK economy.
5. While TAC members welcome the growing number of commissions from commercial companies such as Netflix, these are normally 'all rights' deals, with the producer paid only a production fee. This fee may be greater than a fee from a PSB, but the producer has no control over IP rights to the programme, and therefore loses out on further exploitation and revenue and the opportunity to grow their businesses.
6. Failure to secure production companies' IP rights would cause severe harm in an industry whose potential for success is proven, but whose vulnerability to economic downturn can cause significant negative impact, as we are seeing in the Covid-19 crisis.³
7. Robust regulation is also needed to ensure that companies throughout the UK have equal access to commissioners and schedules, to bring a wide range of stories, talent, perspectives and ideas to the public. TAC welcomed Ofcom strengthening its Out-of-London production guidelines in 2019,⁴ but the fact that this was deemed necessary demonstrates the importance of regulation across all PSBs, ensuring high standards and that the PSB content is made by a wide range of creative companies across the UK.

¹ Review of prominence for public service broadcasting: Statement on changes to the EPG Code. Ofcom, July 2019

² UK Television Production Survey: Financial Census 2019. Oliver & Ohlbaum, Sept 19, p.8

³ TAC is aware the Committee is conducting a separate inquiry into this matter and will be submitting evidence in response

⁴ See: Statement: Review of Regional TV Production and Programming Guidance. Ofcom, Jun 2019

<https://www.ofcom.org.uk/consultations-and-statements/category-1/review-regional-tv-production-programming-guidance> accessed 20 April 2020

8. TAC would also like to see further steps taken to ensure EPG prominence on SVOD platforms for all UK PSBs, including S4C, for easy accessibility. TAC also supports the Lords' Digital and Communications Committee's recommendation that Ofcom review advertising regulation with a view to bringing platforms such as YouTube more in line with current terrestrial broadcasting requirements, and for the Government to make such platforms responsible for any advertising shown.⁵

Representation:

How would representation be protected if changes were made to the PSB model? How would the nations and regions be affected by changes to the PSB model? Is the 'quota' system the most efficient way to maintain and improve representation in broadcasting?

9. The presence of a wide range of creative content companies based all around the UK gives the best route to representing audiences and providing content to which they can relate. Clearly, any changes to the current model need to be examined in terms of their overall possible effects on the production sector.
10. Ofcom reported that only 47% of people believed that PSBs portrayed their region or nation fairly to the rest of the UK,⁶ so there is clearly further work to be done. TAC recognises that there is a growing movement to have production bases outside London. ITV, Channel 4 and the BBC are basing some commissioning and services outside London, and we hope this leads to a greater engagement with independent producers from Wales and around the UK by the PSBs.
11. In TAC's opinion, Out-of-London quotas have had some benefit in moving commissioning money out of London, although not as effectively as it might have done. The effectiveness of the quotas is determined by Ofcom guidelines specifying what constitutes an 'Out-of-London' production. Historically, they failed to prevent London-based companies complying only with the letter rather than the spirit of the guidelines.
12. For this reason, TAC and others engaged with Ofcom to strengthen these guidelines during the last review in 2019. We now hope to see an increase in commissions for companies that are genuinely home-grown, and who will employ largely local staff. Whilst it is acceptable for companies to be commissioned to make programmes in locations beyond their own, PSB commissioners and the companies involved need to show high cultural awareness and factor in local employment.

Accessibility:

How would changes to the PSB model affect the accessibility of services?

13. One of the core functions of PSB in the UK is to provide a wide range of compelling content that allows people in society to learn about each other, enjoy similarities and understand differences. To do so effectively, the content needs to be universally available. All PSB services are currently free at the point of use. The introduction of any kind of voluntary payment to

⁵ Public Service Broadcasting: As Vital As Ever. House of Lords Digital & Communications Committee. 1st Report of Session 2019, Nov 2019, p.52, para. 211

⁶ Media Nations: UK 2019. Ofcom, Aug 2019, p.36

replace the TV Licence Fee (TVLF) immediately discriminates against those with the least ability to pay, and will prevent them from accessing the content.

14. It should also be noted that every UK adult citizen contributes to the PSB network not just through payment of the TV Licence Fee but also general taxation, which in effect supports the other benefits enjoyed by the PSB network. On the assumption that PSB will continue to benefit from state support in one way or another, e.g. through regulation, this is something from which all citizens should benefit.
15. Regarding the BBC specifically, TAC agrees with the conclusion of the House of Lords Digital & Communications Committee report *Public Service Broadcasting: As Vital As Ever*, published in November 2019 following a lengthy inquiry, which concluded that:

“The licence fee is the guarantor of the BBC’s financial independence and underpins its unique quality. A subscription model would undermine the fundamental principle of universality that the BBC should be free-to-air.”⁷

How would a wholly internet-based service compare to the current PSB model?

16. Most Smart TVs in the UK offer the ability to stream TV via the internet. These smart TVs feature the main PSB services⁸ prominently in the internet viewing options. Maintaining this prominence is key to allowing the UK public to access the services supported by public funding and assistance. It would also reinforce the need to carry out Ofcom’s recommendation regarding PSB prominence on TV platforms which make PSB on-demand content available.⁹
17. There is also an issue with broadband coverage. PSB linear TV is currently provided via DTT (Digital Terrestrial Television), which reaches a larger percentage of the population than has access to internet at the speeds required to live stream TV at an acceptable quality. A reliable broadband service is essential to streaming large amounts of TV, and to do so over the 4G network incurs large costs for the consumer.
18. Whilst the government is looking to increase the quality and availability of internet provision, details are not certain as to the timetable or extent of the planned coverage. Ofcom’s 2019 Connected Nations Wales report estimated that 18,000 homes in Wales are unable to access a decent fixed broadband service, subject to confirmation of individual premises coverage.¹⁰ This means an estimated 40,860 people in Wales would lose access to PSB.¹¹
19. There is also a cost implication for those without internet-enabled TVs. If they wanted to enjoy the value of high-quality programme on a full-size screen, they would either have to plug in a

⁷ Public Service Broadcasting: As Vital As Ever. House of Lords Digital & Communications Committee. 1st Report of Session 2019, Nov 2019, p52, para 201

⁸ ITV Hub, All4, BBC i-Player (which includes S4C and BBC Alba services) and My5

⁹ Ofcom describes these as follows: “the TV platforms likely to be within the initial scope of the framework include connected (i.e. internet-enabled) DTT, satellite and cable TV services as well as smart TVs, set-top boxes and streaming sticks”. Review of prominence for public service broadcasting: Recommendations to Government for a new framework to keep PSB TV prominent in an online world. Ofcom, July 2019, p34-35

¹⁰ Connected Nations 2019 Wales report. Ofcom, December 2019, p2

¹¹ Official figures state that there is an average 2.27 people per household in Wales. See:

<https://www.bt.com/sport/news/oliver-dowden-football-fans-could-return-to-stadiums-for-start-of-next-season>. Accessed 16 Jun 2020

laptop or purchase an additional device or a new TV. This presents an additional cost to the viewer and therefore a potential barrier to people being able to access the PSB content

Impact:

What value, if any, do PSBs bring to the UK in terms of economic (local and national), cultural and societal impact?

20. The UK creative industries contributed £111.7bn to the UK in 2018.¹² Not all of this can be attributed to the PSB system. However, its position at the centre of UK cultural life through its promotion of creative sectors such as drama, music, art and dance means it plays a strong part in promoting and supporting other creative sectors. Public investment in the BBC and S4C is repaid in terms of the economic benefits. S4C estimates that every £1 it spends is worth £2.09 to the Welsh economy.¹³ Meanwhile, the BBC spend £2.417bn on content across its services and invests an additional £29m in orchestras and other performing groups.¹⁴
21. The TVLF provides most of the BBC's income (in addition to commercial revenues) and it also provides the majority of S4C funding. This funding has helped grow and sustain a strong and vibrant creative production sector.
22. As much of the TVLF as possible should be used to provide PSB content. TAC supported the BBC's decision to target the free over-75s TVLF for those most in need. Regarding the Government's consultation on decriminalising TVLF evasion, our concern is that, if implemented, this would cause an annual loss c. £200m per year for the Licence Fee payer. Any benefits of decriminalising TVLF evasion, either to the BBC or to society, are less clear. TAC notes that the estimated £200m cost of decriminalisation represents a sum over three times that of S4C's annual spend on programmes, which in 2018-19 was £63.47m.¹⁵
23. S4C's funding has reduced by 36% in real terms since 2010.¹⁶ Following government public spending changes made at that time, the TVLF has provided c. £75m annually to S4C, constituting the majority of its public funding. From 2022 onwards, all S4C's public funding will come from the TVLF, with the current £6.7m grant from DCMS coming to an end.
24. S4C's enhanced remit, agreed by the UK Government following an Independent Review in 2018, now involves providing public service content across a wider range of platforms. S4C's appeal has extended across the UK as a result of sports coverage and high-quality drama, which is also available on i-Player. In addition, S4C will have an essential role in helping to achieve Welsh Government's target of one million Welsh speakers by 2050. This requires a greater share of TVLF revenue, tied to inflation. The next review of the TV Licence Fee due in 2022 needs to be carried out using a transparent process, and should allow for S4C to negotiate its own share of the TVLF separately from the BBC.

¹² <https://www.gov.uk/government/news/uks-creative-industries-contributes-almost-13-million-to-the-uk-economy-every-hour>. Accessed 15 Apr 2020, p.2

¹³ Annual Report 2018-19. S4C, 2019, p.6

¹⁴ Annual Report and Accounts 2018-19. BBC, 2019, p.61

¹⁵ S4C Annual Report 2018-19, p.119

¹⁶ Looking to the Future. S4C, November 2015, p.27

25. Channel 4 and S4C source all their commissioned content from the independent production sector. The BBC also commissions a significant amount from the sector, as do ITV and Channel 5. PSBs also invest in creative companies, including in Wales. Any funding changes which reduces the amount of investment in the sector would have highly significant implications, not only for the production sector, but also for the UK economy.
26. The skills base built up by the investment of the PSBs has helped grow a strong production sector which, helped by government tax breaks, has attracted many large productions made in the UK. TAC and S4C's training partnership provides a programme of courses and workshops in locations around Wales, and has moved swiftly online during the Covid-19 crisis in order to continue to deliver to large numbers of production staff and freelancers from all around Wales.
27. TAC members work with the new SVOD services and welcome additional outlets for their creative content. However, as services like Netflix and Disney+ are global in nature and focus on various specific genres and formats, we do not see them replacing UK-based public service content provision. The SVOD platforms themselves recognise and welcome UK PSB's role, including investment in the independent production sector. As a Netflix executive told a UK broadcasting conference last year:
- “ ... we are still just a small part of a much bigger ecosystem. UK production sector revenues rose to just over £3bn in 2018, up 10% on the previous year. On-demand services only account for 14% of that primary commissioning income, and the largest contribution continues to be from the PSBs who, over the past decade, have consistently accounted for more than 80% of all primary UK commissioning spend. As well as being global leaders in a wide range of programming areas, the PSBs continue to play a vital role in maintaining and growing the creatively and commercially dynamic production landscape here, one of the many reasons we've chosen to make the UK our home.”¹⁷
28. It is worth stating also that we cannot rely on the continued success of any purely commercial platform to fulfil a role providing services and content in the long term. The House of Lords Digital & Communications Committee concluded this in its report:
- “ ... changes in the market may make the future of individual SVODs and TV services uncertain. New entrants complement but cannot replace public service broadcasters, which guarantee continued investment in a wide range of original UK content no matter the state of the global market.”¹⁸
29. In social and cultural terms, the impacts of PSB are also highly significant. Live events coverage, reality TV, drama, current affairs, factual, childrens' and comedy are made specifically to reflect UK audiences, either as a whole or in various parts of the UK.
30. It is not possible for a commercial global broadcast to cover major cultural events such as Glastonbury Festival as provided by the BBC, or the National Eisteddfod as provided by S4C. The Covid-19 crisis has showed how important it is to have not only strong, locally produced news and current affairs, but also expertise in other genres, which has led to creating programming to inform, reassure and entertain people during the crisis in a very short timeframe.

¹⁷ Benjamin King, Director, Public Policy, UK and Ireland, Netflix, speaking at Westminster Media Forum policy conference: 'The future of UK broadcasting – content production, market dynamics, and priorities for policy and regulation', 26 Nov 2019. Official transcript, p.23

¹⁸ Public Service Broadcasting: As Vital As Ever. House of Lords Digital & Communications Committee. 1st Report of Session 2019, Nov 2019, p.32, para. 106

31. Our PSB system also helps to portray a positive view of the UK to the rest of the world through exports of UK programmes, and also through such services as news and cultural content. The BBC reported last year that globally, 465m households had access to BBC World News.¹⁹

Looking ahead:

What should a PSB look like in a digital age? What services should they provide, and to whom? In what way, and to whom, should they be accountable?

32. Media consumption habits continue to evolve as technology and infrastructure develop and improve. Equally, some viewing habits remain strong, with formats such as soaps, reality TV and competitions – from baking to ballroom dancing – compelling the viewer to watch live or near-live. More than 27 million people watched a recent statement by the UK Prime Minister on new measures to deal with the Covid-19 situation.²⁰
33. All this suggests that a continuing role for branded PSB services offers a range of UK-focussed, high-quality content. We would currently avoid drawing any far-reaching conclusions in a very fast-moving media landscape, as such decisions can be very hard to reverse once key infrastructure and institutions are dismantled.
34. PSBs should continue to be accountable to Ofcom, which has considerable experience and expertise in media regulation including PSBs, particularly as it has recently having taken on regulation of the BBC. The BBC Charter remains a good way of providing a clear remit whilst preventing it from too much interference to some extent, although not entirely.
35. TAC welcomes pilot schemes such as the Young Audiences' Content Fund, which effectively target additional resources. TAC members have successfully applied for funding from this scheme, and we hope it will become a permanent source of additional targeted funding, perhaps sourced from the National Lottery.

¹⁹ Annual Report and Accounts. BBC, 2019, p.73

²⁰ <https://www.bbc.co.uk/news/entertainment-arts-52018502>. Accessed 14 Apr 2020