

Broadcasting Committee

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Response to Broadcasting
Committee Review of Public
Service Broadcasting

pact.



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Introduction

- 1) Pact is the trade association that represents the commercial interests of the independent production sector. We have nearly 700 member companies across the entire UK, involved in creating and distributing television, film and interactive content.
- 2) Turnover in the independent production sector is growing, rising from £1.6 billion in 2005 to more than £2 billion currently. This represents a total increase over three years of approx 26.6% in real terms.¹
- 3) Independent production in the Nations and English regions provides creative competition for broadcasters' in-house production departments, helping bring to television screens a genuine diversity of viewpoints that represent the entire UK. Independents are in some cases more accessible and identifiable in their local communities than broadcasters, and larger companies such as Aardman Animations have helped establish creative hubs around them.
- 4) Our recent Production Trend Report for Out of London found that programming from outside London, both in-house and independent, was being under represented at network level. This was particularly the case for the Nations. Welsh programming (in-house and external) represents on average just 1% of total network television hours.
- 5) We should note that in some cases broadcasters have attempted to dispute these figures. However, despite our requests, no broadcaster has provided us with details of disputed programmes. Furthermore, we consulted all broadcasters at each stage of the report.
- 6) The lack of network-level representation for many areas in the Nations and regions has two effects. Firstly, public service broadcasting is in Pact's view failing to represent the entirety of the UK. Secondly, independent companies are being deprived of network commissions which are vital in order to develop their businesses. The longer term or larger scale commissions at network level are important to companies' ability to plan strategically and commit investment that will build the local infrastructure and talent base.
- 7) In our view, the single biggest barrier to improving representation at network level is the commissioning culture at London-based broadcasters. Until London-based commissioners are willing to commission programmes on a truly meritocratic basis, rather than from the companies that they know, the Nations and English regions will be unable to compete on a level playing field.

¹ Independent Production Census 2007/08, Digital-I for Pact.

- 8) To help affect this change, we have proposed that the level and range of their Out of London commissioning be formally taken into account in the performance appraisal of network commissioners, similar to how Channel 4 linked Out of London commissioning to the bonus scheme for its commissioning editors. We believe this is worth considering as a way to spark a change in culture amongst London-based commissioners.
- 9) Pact welcomes the Broadcasting Committee's review of Public Service Broadcasting (PSB) in and for Wales. In this document we take the opportunity to outline in the following order:
 - The framework and goals of PSB provision in the context of Nations and regions programming;
 - Broadcasters' current failure, in our view, to fulfil their PSB duty to represent Nations and regions. Our recent Production Trend Report for Out of London found that on average Welsh programming (in-house and external) represents just 1% of total network television hours;
 - The threat that this severe under representation will worsen in public service genres as the current PSB model is weakened in the face of increasing competition from digital channels;
 - Proposals to raise the level of Nations and regions programming, particularly by pressing for a change in the culture of London-based commissioners; and
 - Proposals for building the supply base outside London.
- 10) We would also be happy to supply you with copies of The Production Trend Report for Out of London, commissioned by Pact from Attentional, on request.

Opportunities and challenges for PSB in Wales

The PSB ideal: representing the entire UK

- 1) Providing audiences with programming that reflects their own lives and the diverse cultures of the UK as a whole is a cornerstone of public service broadcasting (PSB). At its best, PSB should encompass both local programming with particular appeal to people in the Nations and regions, and programmes broadcast on a national, network level that represent the whole of UK life and, in so doing, enrich the country's cultural identity.
- 2) The role of PSB in the Nations and regions is therefore enshrined in statute. The Communications Act 2003 requires the commercially-funded PSB licencees - ITV1, Channel 4 and Five - to broadcast "a suitable proportion" of UK programmes made from outside the M25 area.² The BBC has a similar commitment under its Royal Charter, with one of its six public purposes being: "representing the UK, its nations, regions and communities."³
- 3) These Out of London quotas are coupled with a quota for independent programmes, ie programmes made by a production company that qualifies as independent by being no more than 25% owned by any single broadcaster. This mixed production ecology allows independents to compete for commissions with broadcasters' in-house production departments. The resulting creative competition is in Pact's view an important public policy goal, enabling different voices to be heard as well as driving innovation and value for money. Just as viewpoints on our television screens should come from right across the UK, so there should be variety amongst the creators of those programmes. Ofcom's recent review of the production sector concluded:

"A mixed ecology of production is important in delivering diversity in programming – which is important for viewers as consumers and UK citizens. Diversity is important not just in programming output, but also as an input to the production of programmes."⁴

Failure to deliver

- 4) In Pact's view, broadcasters are failing to fulfil their duties to provide appropriate levels of programming from outside London. Pact's recent Production Trend Report for Out of London analysed the level of programming made in the Nations and regions between 2004 and 2006 - the period following the implementation of the Communications Act. The report, conducted by independent consultants Attentional (formerly David Graham Associates), highlighted a severe under-representation of the

² Communications Act 2003, Section 286 1 (a); 286 3 (a); 288 1 (a).

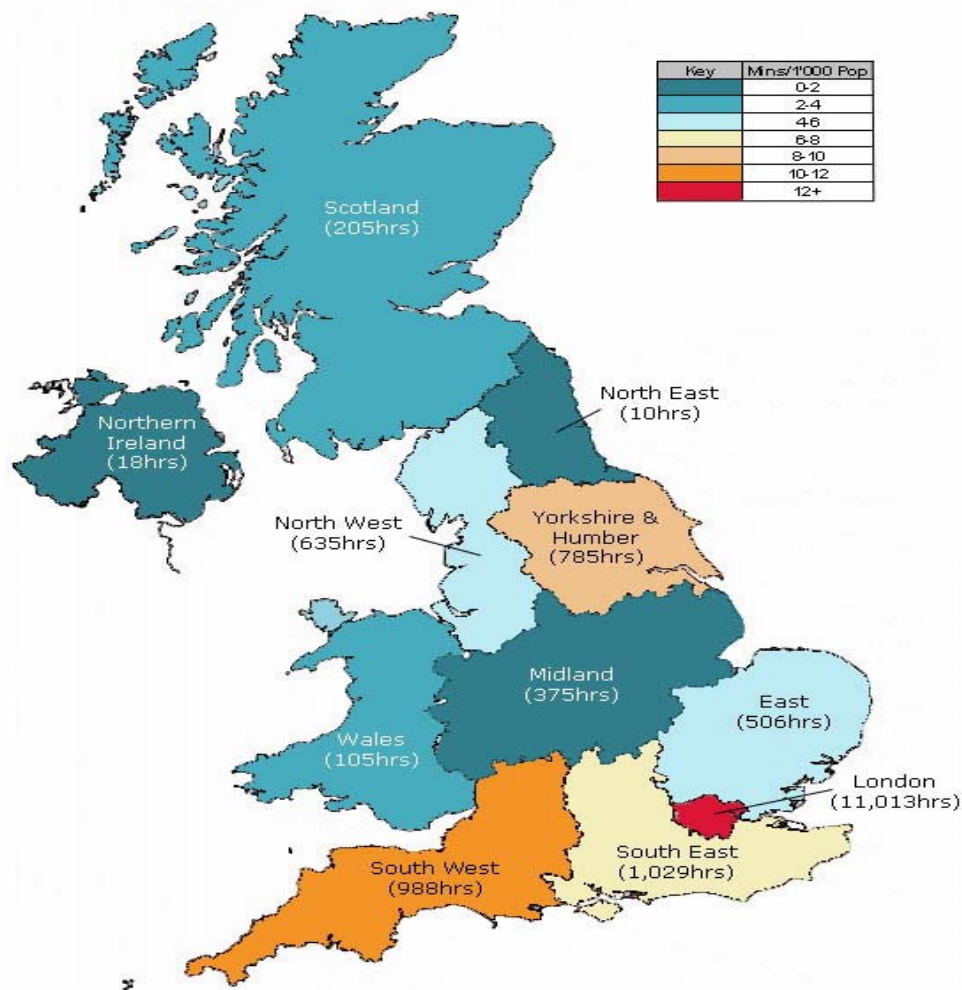
³ BBC Royal Charter, 4 (d).

⁴ Review of the Television Production Sector – Policy Statement, Ofcom, October 2006, page 13.

Nations at network level right across all five terrestrial channels (BBC1 and 2, ITV1, Channel 4 and Five).

- 5) Welsh programming accounted for an average of just 1% of all network hours on the five terrestrial services.⁵ Per capita, Wales therefore had one of the UK's lowest number of hours of network television, as illustrated by Figure 1 below.

Figure 1: Nations and regions representation per capita



- 6) The dearth of network-level commissioning outside London has a knock-on effect on companies' ability to develop businesses in the Nations and regions. Securing the larger scale commissions at network level gives companies the confidence to make capital investments in business development and infrastructure on a strategic basis, and thus drives sustainability.
- 7) This is not to say that the Out of London quota has not had an impact. On the contrary, it is reasonable to assume that without such a requirement

⁵ The Production Trend Report for Out of London, Attentional for Pact, pages 18-20.

levels of investment from broadcasters in programming from the Nations and regions would be lower still. Ofcom concluded as much in its recent review of the television production sector, stating that:

“There is little evidence that significant levels of production outside London would be provided by the market...Production would become even more concentrated in London if quotas were removed.”⁶

- 8) We are also concerned that in some parts of the country network commissioning is strongly skewed towards in-house production departments at broadcasters. Wales is a case in point. Investment levels for network programming from Wales (as opposed to hours of programming) have actually more than doubled in recent years, according to Pact’s Out of London trend report. The vast majority of this increase was accounted for by the BBC’s investment in Doctor Who and Torchwood, both of which are in-house productions. Between 2004 and 2006, the total value of BBC1 and BBC2 Welsh programming rose from £6m to £20m. However, the equivalent figures for independent programming commissioned by the BBC saw a fall from £2.9m to just £800,000.
- 9) We would argue that this raises serious questions about the range of voices from Wales on the BBC’s two terrestrial channels, as well as the BBC’s commitment to growing the wider production sector in Wales. It should be noted that the BBC’s Charter commits it to a public purpose of stimulating the creative industries, in addition to representing the lives of the UK’s Nations and regions in its programming.⁷

The growing threat

- 10) Pact is concerned that under-representation in public service genres is likely to worsen as the current PSB model comes under increasing pressure in the run-up to digital switchover. Much of the regulatory framework that underpins the provision of PSB will become less effective in the digital era. Traditionally, the commercially-funded public service broadcasters (ITV1, Channel 4 and Five) have been willing to accept certain public service duties, such as the commitment to Nations and regions programming, in return for privileged access to scarce spectrum space. With the advent of digital channels, analogue spectrum is worth less and less. Audiences are fragmenting and advertising for terrestrial channels is plateauing or falling. Ofcom is already under increasing pressure from commercial broadcasters to allow them to reduce their public service obligations, as witnessed by ITV’s lobbying to have its commitment to regional news reduced.
- 11) Post switchover, it remains to be seen whether commercially-owned broadcasters ITV and Five retain any PSB role. The BBC is a different matter, being funded by the licence fee, while Channel 4 is publicly-owned and has

⁶ Review of the Television Production Sector – Policy Statement, Ofcom, October 2006, page 21.

⁷ BBC Charter Agreement, sections 8 and 9.

pledged to support public service content in and for the Nations and regions, although this commitment is dependent on its future funding levels.

12) We would argue that it is important not only for representation and investment levels for the Nations and regions to be improved, but that this is not left just to one broadcaster. We have already noted the role of plurality in terms of the supply base in fostering different voices and creative competition, but a plurality in channels is equally significant. Having a multiplicity of outlets helps ensure a range of perspectives, delivers complementary services for different audiences, and provides competition to spur innovation and investment.

13) Ofcom acknowledged the importance of plurality in PSB provision in its last public service broadcasting review, warning that:

“The risk of leaving PSB provision to the BBC alone is great: the lack of competition in broadcasting PSB programming risks leading to complacency, inefficient production, lack of innovation, lower quality programming, a narrowing of perspectives and the loss of PSB programming for certain groups.”⁸

14) This view was supported by the UK Government’s BBC Charter Review White Paper, which states:

“The Government believes that sustaining a plurality of PSB providers who both complement and compete with each other has been important in ensuring that this quality and diversity are maintained.”⁹

15) The role of S4C in Wales is therefore crucial as an alternative to the BBC for Welsh speakers, although it is important to bear in mind that it does not provide a service for the majority of people in Wales who do not speak Welsh. Nor of course does S4C address the issue that Wales should also be better represented at network level across the entire UK by more than one broadcaster.

Opportunities

16) As we have outlined, digital switchover represents significant challenges for public service broadcasting. Yet there are potential opportunities as well, both in terms of offering the public greater choice in how and when it accesses content, and in opening up possible new revenue streams. Already, broadcasters’ digital channels have offset falling advertising revenues at their analogue services. Channel 4’s E4 channel has, for example, shown robust growth since switching from a pay service to an advertising-driven model. Content creators are also developing new forms of delivery – RDF Media, an independent production company, has recently launched an online comedy “portal” that will offer viewers content on-demand.

⁸ Review of Public Service Television Broadcasting, Phase 2, Ofcom, 5.13.

⁹ Charter Review White Paper, A public service for all: the BBC in the digital age, March 2006.

- 17) Yet it must be acknowledged that such services have yet to offer a genuine replacement for current forms of PSB. Digital channels are providing a degree of competition for the terrestrial broadcasters, as well as secondary platforms for the public service content originally commissioned by terrestrial broadcasters. However, their relatively limited audience figures mean they cannot be regarded as a mainstream alternative to channels such as BBC1 and BBC 2. Nor are they able to replicate the level of investment in public service content provided by the terrestrial public service broadcasters. While welcome, they have to date offered only a relatively modest amount of investment for the creation of new content, often relying on repeats of programming commissioned by the terrestrial channels and imported programming. Without significantly raising their investment in new UK programming, they cannot be regarded as a replacement for terrestrial public service programming in the foreseeable future.
- 18) Indeed, a reduction in the programme investment provided by the terrestrial public service broadcasters would restrict the amount of public service programmes available for these secondary channels to acquire and show as repeats, thereby undermining public service broadcasting on cable, satellite and digital channels.

Improving representation

- 19) In terms of raising the level of Nations and regions programming, Pact's most serious concern is the need for a fundamental cultural shift amongst London-based commissioners. Commissioners have a difficult task. Even the smallest commission costs a significant amount of money. Little wonder they prefer to work with people they know.
- 20) However, the willingness of commissioners to establish new relationships in the Nations and regions is fundamental to developing an effective strategy. Companies from across the UK must be able to compete for commissions of all sizes on a level playing field if the best ideas are to reach the screen regardless of where they come from.
- 21) To help affect this change at the BBC, we recently proposed that the level and range of Out of London commissioning be formally taken into account in the performance appraisal of network commissioners. This would be similar to how Channel 4 linked Out of London commissioning to the bonus scheme for its commissioning editors. We believe this is worth considering as a way to spark a change in culture amongst London-based commissioners. Over time, commissioners will build up more relationships with companies outside London, and increased commissioning from companies in the Nations and regions is more likely to take place without the need for such interventions.

Building the production base

- 22) Achieving this change in commissioning culture is crucial not only in improving the on-screen representation of the Nations, it is also an important step

towards building a sustainable production base outside London. Commissioners should be open to working with production companies from across the entire UK on larger scale, longer term commissions, such as repeat series, for network. The ability to secure such larger scale commissions gives companies the confidence to make capital investments in business development and infrastructure on a strategic basis, and thus drives sustainability.

- 23) To complement and encourage such a shift in commissioning attitudes, we are developing proposals for a more strategic approach between broadcasters and local screen agencies and development agencies as part of our response to Ofcom's PSB review. We are looking at whether business development support from local agencies might be allied more closely with commissioning so as to help companies plan strategically over the long term. This might in turn encourage those companies to invest in training and building the local infrastructure.
- 24) In addition, we are working on a talent attraction scheme with Creative Business Wales, Skillset, the BBC, ITV, and Channel 4. This is aimed at bringing in executive producers and series producers with network experience to help some companies in Wales secure larger scale commissions. Such investment would, however, have to be at an appropriate level in order to attract executives with strong network experience, who are often able to command higher fees than regional talent.
- 25) Creative Business Wales has also made other hugely valuable contributions, recently launching plans for "hotdesk" office facilities for independents from the Nations and regions visiting London. We see this as a practical step in helping independents build contacts with London-based commissioners.
- 26) In addition, we would highlight the role of development funds run by broadcasters, such as the BBC's Regional Independent Development Fund and ITV's Regional Production Fund. We have proposed that the BBC align its development fund more closely with commissioning decisions in order to help ensure funding goes as far as possible in stimulating the development of companies. We are concerned over the fate of ITV's fund, however. As far as we are aware, ITV has spent very little of the £9m earmarked for this fund, and we are not aware of any plans for the fund to be continued once it expires this year.
- 27) The Welsh Assembly's IP Fund has provided a further welcome source of investment for independent companies, although we have concerns over the level of recoupment expected compared to the actual investment contributed. According to reports from some of our members, the fund has demanded tougher repayment conditions than those offered by the private sector.

S4C

- 28) S4C has made a valuable contribution to the Welsh production sector and we accept that it should have flexibility to effectively manage its investment

strategy. However, we are concerned that, by targeting investment at a limited pool of companies, S4C may as an unintended consequence restrict opportunities for other parts of the production sector. There are important public policy and industrial reasons for ensuring that start-up production companies and established companies who have not worked previously with S4C have a genuine opportunity to compete for commissions. Failure to allow this risks diminishing creative competition, with an ensuing impact on the quality of programming for viewers, as well as dampening competition and growth in the production sector.

- 29) Additionally, we note with interest Ofcom's proposal in its recently-launched PSB consultation that S4C could play an enhanced role in children's programming across the UK as a whole. Children's programming has been one of the public service genres to suffer the largest fall in investment from commercial broadcasters at network level. Ofcom suggested that S4C might maximise the value of its considerable annual investment in Welsh-language children's content by strengthening incentives for independent production companies to reversion content for UK and international audiences.¹⁰ Welsh-made children's content such as Fireman Sam and Hana's Helpline is already a leading source of Welsh programming at network level, and ways of building on this success, such as developing opportunities for co-productions with English-language broadcasters, should be explored.

¹⁰ Ofcom's Second Public Service Broadcasting Review, Phase One: The Digital Opportunity, Ofcom, April 10, Page 13.