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**TAC Paper for National Assembly
Communities, Equality and Local Government Committee**

The Future Outlook for the Media in Wales

Introduction

1. Formed in 1984, Teledwyr Annibynnol Cymru / Welsh Independent Producers (TAC), represents around 30 active independent TV production companies primarily involved in the production of programmes and content for the Welsh based broadcasters and other providers of audio visual services, either as production companies, or in a support capacity. Their combined turnover is in excess of £100 million. Our members diversify into making radio and multiplatform content.
2. As with all independent production sectors, we have the ability to scale up to meet any new challenges, and to ensure that, with low overheads and business discipline, we can maximise the amount of money spent on programming that makes it onto the screen.
3. TAC members offer the Industry is variety, diversity, talent, wide geographic range, specialists and impact on 2,500 people directly involved in the Media in Wales. Being based around Wales allows our members to reflect the lives, humour and concerns of those living there.

Key Themes of the Inquiry

4. TAC welcomes the task and finish exercise undertaken by the Committee. Much has been occurring in this area and, with such developments as the new agreement published by the BBC and S4C, we can now take a clearer view on the current state of play and measures required.
5. Overall, the priorities for the Welsh Assembly Government should be to protect and maintain, encourage and facilitate any outward investment.
6. The Committee provided four areas of consideration, and we give here brief views on each of these in turn.

The current state of the media in Wales and how new technology and other developments are impacting on this, in the context of continuing concerns about the future of the Welsh broadcast and print media

7. The indie TV sector is doing fairly well at present, but the recent uncertainty around the future of S4C, combined with changes in S4C's commissioning strategy, have created problems in terms of companies being able to develop sustainable business plans.
8. Increasing use of online services by the consumer brings both benefits and challenges – there is the potential for proliferation of Wales-originated content of all kinds, but there is also the need to ensure the rights skills are developed to ensure that the industry can keep pace with technological and market developments

What the priorities should be from a Welsh perspective as the UK Government brings forward proposals for its Communications Bill

9. TAC responded to the Government's Open Letter calling for views on Communications regulation.
10. We particularly welcomed the Open Letter's statements that
 - "Our ambition is to establish UK communications and media markets as amongst the most dynamic and successful in the world".
 - "Our aim is to drive the growth of UK content production across all platforms".
11. TAC argued that the provision of public service content must continue to be a crucial aim of Government media policy – in terms of their quality, range and diversity, the UK rightly has the most respected TV and radio services in the world, This has brought with it much income to UK plc via the export of programmes, formats and other content, demonstrating that public policy objectives can simultaneously be both culturally and economically beneficial.
12. Key points put forward related to: the future of S4C, and the need for the BBC and other broadcasters to continue to maintain and if possible increase their investment in Wales
13. Regarding S4C, since mid-2010 TAC has worked hard to explain to Government and Parliament the importance of S4C to Welsh culture and its creative industries.
14. TAC has liaised closely with Government, in addition to the BBC and BBC Trust, over the future of S4C, to seek assurances that the following would be guaranteed:
 - That S4C's funding is set at a guaranteed level in legislation, to ensure a secure level of funding beyond 2015
 - That S4C continues to commission solely from independent producers, and that none of the funds are diverted to productions made by the BBC
 - That S4C remains operationally and editorially independent

- That the BBC Trust alone, as opposed to the BBC Executive, is party to conversation on S4C's future strategy and direction, and that its oversight of such matters is kept within clearly defined boundaries relating only to S4C's provision of value for money
- That the majority of the S4C authority is made up of independent members, with only the BBC Trust and ideally a representative of the independent production sector
- That a fully independent review of S4C should be carried out every 5 years

15. The agreement announced on 25th October between S4C and the BBC Trust contained within it much that was promising, and several of the above points of concern appear to have been either fully or partially met. Going forward TAC will ensure that it is doing everything it can to see that the enactment of the agreement leaves Wales with a service that works independent of the BBC and closely with the independent production sector. We note specifically that the BBC Trust representative in Wales, Elan Closs Stephens, will have a place on the new board and welcome this.

16. Although it is clear for now that the UK government will continue to have a role in S4C's future, TAC would welcome the establishment of a more formal relationship between the DCMS and the WAG over S4C and Welsh broadcasting in general, in order to inform DCMS and keep regular review on the agenda. This would help guarantee that we prevent another situation where guidance from Whitehall had not been maintained, leaving S4C to operate without proper oversight of its remit or purposes. This relationship would also allow the Welsh Assembly Government to have a context in which to ask some important question, for example, whether DCMS still be providing £7M to S4C beyond 2015, something which is still not known and prevents to an extent precise mid-to-long terms planning on S4C's part, as well as for the production companies which supply its content.

17. Funding structures: The licence fee settlement meant that a greater strain was placed on the TV licence fee, by making it pay for the World Service and S4C. Any further cuts in the services of BBC Wales and ITV would be dangerous. According to Ofcom Wales:

“Over a five-year period, investment in English-language programmes for viewers in Wales was down 11% per year since 2004 (a decrease of 44% in absolute terms), a slightly faster decrease than the UK average fall of 9% per year (a decrease of 36% in absolute terms).”¹

18. TAC does welcome Channel 4's recently announced initiative to increase their out-of-London commissioning, and to spread that commissioning amongst a wider number of businesses. We would like to see the Welsh Assembly press for a new requirement for other public service broadcasters to spend more in Wales.

19. There also needs to be thought given to the increasing phenomenon of high-end drama being filmed outside the UK due to tax incentives deployed by other countries, for example some EU nations but also South Africa and other nations.

¹ Ofcom Wales, Communications Market Report 2010, p55

The opportunities for new media business models to be built in Wales

20. The 'Digital revolution' means that location is less and less important, so in that sense it should be easier for Wales to compete with firms in London, Manchester etc
21. To enable this broadband rollout is clearly important to companies all over Wales, to create and build new media businesses. We welcome the Welsh Assembly Government's delivery plan in relation to this, as providing it is followed through it will be of major benefit to new and existing production companies based around Wales.
22. Again some broadcasters are bringing in initiatives, for example Channel 4 has said that at least 35% of its annual spend on digital media commissioning, will be from new or emergent companies outside London. It has also introduced an Alpha Fund to help the newest companies – the Welsh Assembly Government could look at this scheme, to see whether it is something which could be introduced specifically for Wales.

What the Welsh Government is doing to implement the Hargreaves report recommendations and what other steps could be taken to strengthen the media in Wales in terms of content and plurality of provision.

23. TAC very much welcomed the publication of Professor Hargreaves' report and much of what it contained. Publicly, there appears to have been little progress since the publication of Professor Hargreaves' report other than the establishment of the Creative Industries Panel ² and Carwyn Jones' speech of June 2011³, which centred on the creative industries. For this reason, there is a noticeable lack of a clear picture in terms of what the Welsh Assembly Government is doing in this area to devise and pursue an overall strategy.
24. The IP Fund set up to help grow business has so far met with mixed results, and does not appear to have generated an overall net growth in the value of the sector
25. Working with stakeholders is very important, and it is very important to recognise the views and experiences of those who produce the content, and run the companies that do so, as having unique expertise and perspectives to offer.
26. Indie sector very important to plurality of voice, and companies are branching out from just TV and radio to online and multiplatform etc
27. The Welsh Assembly Government can work with stakeholders to release the potential held in content archives – the Welsh independent TV producers have as a sector a large archive of material some of which could be of commercial value, but it doesn't have the business capacity and/or the expertise to exploit it well enough.
28. In his report Professor Hargreaves emphasised the importance of having a wide variety of companies to creating a thriving industry. Currently indie TV and content production sector is made up of companies of varying sizes, ownership structures,

² <http://wales.gov.uk/topics/businessandconomy/economicrenewal/sectors/creativesector/?lang=en>

³ <http://wales.gov.uk/newsroom/firstminister/2011/110616creative/?lang=en>

and many of those companies partner extensively with others, ensuring that there is a real creative mix in the nation. In this light it is important that policies are not introduced which support one type of business model – different models are needed for different businesses and the key is that they have the capacity to deliver.

BBC Wales

29. TAC does welcome some of the proposals within DQF, for example “bringing more television and radio programming from Scotland, Wales and Northern Ireland to audiences across the UK”.⁴
30. TAC also welcomes the BBC’s statement that “we expect the 17% target for network television programmes to be produced across Scotland, Wales and Northern Ireland to be met earlier than 2016 and exceeded by the end of the Charter, bringing millions of pounds of new network commissions across Wales, Northern Ireland and Scotland”.⁵
31. TAC recognises that it was necessary that the BBC address the need to make sure it is providing ever greater value for money, and that it seeks to accommodate the extra responsibility of some funding going to S4C and also for the World Service.
32. We have asked the Government to consider putting in place a stipulation that BBC Wales must retain a proper level of funding and that it must commission a higher proportion of its programmes from the independent sector. Current quotas and targets relating to the BBC and other public service broadcasters need to be retained and subject to regular scrutiny to ensure they are being adhered to.
33. We also believe that the Window of Creative Competition, introduced by the BBC at the time of the last Charter, needs to be included in the Review with a view to including it as a binding requirement set at a minimum of 25%. Currently BBC Wales has only an ‘expectation’ of an additional 10% plus 5% WoCC operating⁶, unlike the BBC as a whole which operates a 25% WoCC, and this would be encouraging for BBC Wales to be working further with the indie production sector.
34. In addition the indie radio sector is developing in Wales, and these companies are beginning to establish new ways of working following discussions with BBC Wales on radio supply, promoted by a review by the BBC Trust – the latest commissioning round has shown an improved system of co-operation with more information being provided by the BBC to assist in understanding commissioning priorities. The next step would be to bring levels of competition between in-house and indies up to the levels recommended above for TV.
35. The Welsh Assembly government could encourage the BBC to take this step ahead of any possible demands in the Communications Review.

⁴ BBC Trust Consultation – Delivering Quality First, Oct 2011, p10

⁵ BBC Trust Consultation – Delivering Quality First, Oct 2011, p10

⁶ “Independent producers are guaranteed 25% of commissioned non-news hours. They are expected to win a further 10% of the hours each year, and the remaining 5% is open to creative competition between both in-house and independent producers.” BBC Wales Website: http://www.bbc.co.uk/wales/info/sites/commissioning/pages/tv_process.shtml. Accessed June 2011

S4C

36. Through being given initial opportunities, often via S4C, many independent production companies have become success stories outside Wales. Only recently C4 announced that they had passed their “outside London quota” by 35% through the use of Independent Production Companies based in Wales.
37. Nevertheless, the internal difficulties S4C suffered over the last year are a symptom of the fact that the organisation was in urgent need of a fundamental review.
38. S4C needs to be more rigorous in its approach to delivering on its remit and this should include carrying out some form of measurement of public value over and above crude viewing figures, which do not fully reflect the effect of S4C on the culture of Wales and beyond.
39. Other broadcasters, should as Channel 4, have developed sophisticated metrics to determine how they can measure the effects of a documentary on people’s knowledge of and attitude towards a particular subject, and whether any behavioural change was caused.
40. The Welsh Assembly Government could look to establish its own measurements of the Welsh creative industries as a whole, in terms not only of the economic benefit but the cultural and education benefits also. This could lead to a development of combined strategy in terms of funding for training and assisting the creative sector.
41. Both S4C and producers need to play an important part in increasing the extent to which S4C productions and formats are saleable or adaptable for wider markets.
42. Professor Hargreaves was aware of the fact that the Welsh creative sector was a successful, but a fragmented one, with too many companies reliant wholly on business from within the nation.
43. TAC is looking forward to S4C, particularly now it has a new Chief Executive with international distribution experience, taking a much greater role in developing international distribution and co-productions
44. The Assembly should ensure it is enabling Welsh companies to take the opportunities that will come from this and other initiatives, perhaps looking to support missions to international programme trade fairs under a ‘Welsh Media’ banner.
45. Other changes needed at S4C are to avoid an over-reliance on tender processes for commissioning that are a barrier to smaller companies, as has sometimes been the case. To do so represents a false economy, as not all companies can commit to the tender requirements meaning that there is less commercial and creative competition to make that content. The Welsh independent production sector would welcome further discussions with S4C and the S4C Authority on its commissioning strategy going forward, to ensure that it fits with the nature of the creative sector.

Other Issues

46. The Welsh Assembly Government also needs to look to how it can put measures in place to reduce the risk of companies moving out of Wales – this is crucial to ensure that key businesses and key employees are not lost to the nation.
47. The Welsh Assembly Government needs to determine its own plan for how local TV, as promoted by DCMS might take shape in Wales, with its own particular community structure and media industry.
48. In terms of skills, part of the Digital Wales Delivery plan addresses ICT skills, and it is important to build into this plan a strategy to specifically promote and deliver the skills required for the creative media industries. The production of content is becoming ever more complex, with the growing multiskilling of staff to meet tighter budget costs, and the increase in the need for the right digital technology and software skills for multiplatform content. The training network needs to be simplified and managed more strategically, to ensure Wales is a centre of excellence going forward. This was a point made by Professor Hargreaves in his report ⁷.
49. The Welsh Assembly Government needs to look to establishing a clearer overall strategy for training the creative industries in Wales – at the moment there are several schemes and organisation in some worthwhile initiatives, but currently they are not working to one clear skills development strategy.

⁷ Prof Ian Hargreaves. The Heart of Digital Wales. 2009, p53