



## **Response to DCMS Consultation on Audiovisual Media Services**

**August 2019**

### **Introduction**

1. TAC (Teledwyr Annibynnol Cymru) is the membership association of independent television production companies in Wales. There are around 50 companies in the sector, ranging from sole traders to some of the leading players in the UK TV production industry. They produce content for the BBC, ITV, Channel 4, 5 and Sky as well as other cable and satellite channels, and they are involved in numerous international co-productions. They produce almost all the original TV and online content broadcast on S4C, and a variety of radio productions for UK-wide networks.
2. Production companies in Wales have a longstanding passion and commitment to public service broadcasting. TAC welcomes the DCMS consultation on the AVMS Directive and this opportunity to respond. Below are some concise comments in response to a few specific sections of the consultation document. We would be happy to discuss these further with DCMS.

### **Comments on consultation document**

#### **Consultation document – paragraph 65**

***European works prominence in catalogues: We recommend amending provision in section 368C(3) 368Q(3) for Welsh Authority) of the Communications Act 2003, to bring in the 30% quota and by inserting a duty for VoD providers to make European Works prominent.***

3. TAC agrees with this recommendation. Ensuring the continued prominence of European works is extremely important to protecting identity and culture in the face of an increasingly global market where much content is less nationally and culturally specific. The need for understanding of European nations and their cultural differences and similarities has never been greater, and we welcome the Government's commitment to insert the quota into UK legislation.
4. The prominence of free-to-air public service broadcasters on the EPG and smart TVs remains crucial. All PSBs benefit from public support in terms of spectrum and / or funding. The viewers who support these services and benefit from them should be able to find them as easily as possible. The PSB broadcasters invest in some genres that other commercial broadcasters do not tend to commission as often. In return for this investment, they should secure relevant prominence.

### **Consultation Question 18**

***Do you consider that the current level of funding for European Works in the UK is sufficient? Please provide evidence.***

5. There is no doubt that funding for UK PSB is under pressure. The TV Licence Fee is now due to pay in part for over-75s TV licences, an ongoing cost which the BBC has estimated will come to £250m per annum.<sup>1</sup> Given the BBC's efforts to become more efficient, with its 2018-19 Annual Report putting the latest savings figure at £153m,<sup>2</sup> it is unlikely that this £250m can be taken on without a direct impact on content budgets.
6. The TV Licence Fee is also set to be the sole source of the public funding for Welsh-language broadcast media provider S4C from 2022, following the UK Government's acceptance of the recommendation of the Independent Review of S4C in 2018.<sup>3</sup> S4C's grant from government is currently £6.7m, which Government has committed to maintain until 2022.<sup>4</sup>
7. At the point when the new TV Licence Fee settlement is negotiated, TAC will be making the case for S4C's level of public funding to be *at the very least* maintained at its current total level, and that this is adjusted for inflation like TV Licence Fee overall. However, while it is in a better position to absorb the relatively low cost of maintain and perhaps increasing S4C's funding, the fact remains that this will then result in a slight lowering of available funds for the BBC itself. S4C has already seen substantial cuts to its budget, as it documented in 2015: "Since 2010, S4C has been subject to a financial cut of 25% in funding, or 36% in real terms (after taking inflation into consideration) by the end of the current funding arrangements."<sup>5</sup>
8. Elsewhere, there are continuing pressures on the commercial PSBs, particularly in relation to advertising. ITV's recently reported figures show that its Broadcast & Online revenue was down seven percent.<sup>6</sup> Channel 4's linear advertising revenue also fell,<sup>7</sup> and while digital income rose, this too can only be facing increased competition given the increase in digital marketing opportunism for advertising agencies.
9. In this environment, it is important to keep a close eye on the extent to which the different services which make up our PSB system are still able to fulfil their remit on the basis of their available income. In the case of S4C, the Independent Review of 2018 recognised the importance of it becoming a public service multi-platform media provider rather than just a linear TV channel, but we question its ability to execute this change without appropriately increased funding to allow it to deliver. Other PSB face similar challenges as they compete for viewers and listener in the digital space.

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<sup>1</sup> Age-Related TV Licence Policy: Decision Document. BBC, June 2019, p.14

<sup>2</sup> Annual Report 2018-19, BBC, p.88

<sup>3</sup> Building an S4C for the Future: an Independent Review. Euryng Ogwen Williams. DCMS, Dec 2017, p.27

<sup>4</sup> Government response to the S4C independent review: 'Building an S4C for the future'. DCMS, Mar 2018, p.6

<sup>5</sup> Looking to the Future. S4C, 2015, p.27

<sup>6</sup> <https://www.marketwatch.com/story/itv-sees-advertising-revenue-falling-after-weak-1q-2019-05-08>.

Accessed 08.08.19

<sup>7</sup> <https://www.campaignlive.co.uk/article/channel-4-sales-revenue-drops-below-1bn-first-time-four-years/1587145>. Accessed 08.08.19

### **Consultation Question 19**

***The government currently has no plans to introduce a levy, however, do you think a levy scheme to fund European Works could be an effective way to provide funding? Please explain why.***

10. Currently, the UK independent TV production sector, including that based in Wales, is producing a significant amount of content for the SVOD (Subscription Video-on-Demand) services. The advantages of this are that independent production companies have a wide range of customers to whom they can take ideas and with whom they can build relationships, which can also enable them to push for better terms of trade. Clearly, there is a balance to be struck therefore in protecting the UK PSB ecology, and not deterring the SVODs from working with the UK production sector.
11. The TV production and distribution market has undergone enormous changes over the last 10-15 years, and this shows no sign of slowing down. Pact recently reported that: "The SVODs commissioned a minimum of £150 million of British content from the UK independent production sector in 2017 and Pact expects that this figure will have risen in 2018. The actual figure for the SVOD spend in the UK is likely to be much higher due to the co-productions between the SVODs and the PSBs."<sup>8</sup>
12. This is clearly good news for the UK TV production base, including that in Wales, and we would not at this time wish to see any measure implemented which might inadvertently cause a fall in this level of commissioning. Nevertheless, as the number of SVOD services continues to multiply, with some content providers withdrawing their content from Netflix as they instead set up their own services, pressure is brought to bear on each individual service to maintain and grow its subscriber base. It has to be assumed that some will be more successful than others, but in this competitive environment, there is little room for shows which may create a real connection with their audience but which don't produce the right audience numbers worldwide, as evidenced by the number of series cancelled by Netflix in recent times.<sup>9</sup>
13. Given this instability in the market, it cannot be assumed that such services will continue with their current high-spend strategies nor, if they do so, the extent to which they will continue to commission and broadcast UK-made content. The Government should have an eye to implementing further measures in the future to protect our important and unique ecology of public service broadcasting, which cannot be replicated by the globally-facing SVOD services.
14. UK audiences are turning to the SVODs in increasing numbers. Ofcom recently reported that: "Since 2017 viewing by all people of SVOD (+7mins) and YouTube content (+6 mins) has grown ... For the youngest adults (aged 16-24), the most-watched platform is YouTube (73 mins)."<sup>10</sup>
15. There is without doubt much high-quality content available on the various platforms, and a fair amount of it made by the UK TV production sector, but there are two key issues to consider. First, there is the volatility of the fast-moving media/tech sector, and secondly, that this content will to some extent be made for a mass-market global audience and feature fewer cultural touchpoints and local people's perspectives as a result. They do play a part in promoting the UK and its locations, but given that these programmes are in a relatively small amount of genres and that these again are largely generic, they cannot replace the content provided by our own PSB system which has a specific remit to reflect the lives of people in the UK.

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<sup>8</sup> Submission to the House of Lords Communications Committee Inquiry on 'Public service broadcasting in the age of video-on-demand'. Pact, 2019, p6 para 10.8.

<sup>9</sup> <https://www.radiotimes.com/news/on-demand/2019-08-09/netflix-cancelled-tv-shows-2019/>. Accessed 12.

<sup>10</sup> Media Nations 2019: UK. Ofcom, August 2019, p4

16. As Ofcom stated in its recent Media Nations report: “UK audiences want original, UK-produced and UK-specific programmes. The PSBs delivered over 32,000 hours of UK-made original content across their channels in 2018. In comparison, the vast majority of SVOD programmes are US-made productions, designed to play out in multiple countries: only 221 hours of the SVOD original productions available in 2018 were made in the UK.”<sup>11</sup>
17. Therefore, while we do not at this time fundamentally disagree with the UK Government’s stance of not introducing a levy on the SVODs, as contained in the AVMS Directive, we would urge it to continue to maintain a close watching brief on whether at some later stage a levy might need to be introduced.

**For further information** and contact details see [www.tac.cymru](http://www.tac.cymru).

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<sup>11</sup> Media Nations 2019: UK. Ofcom, August 2019, p.6