# A7. The role of PSBs in the UK TV production sector

## Overview

**The TV production sector is a UK success story**. The skill base of UK TV production companies has attracted valuable inward investment and global sales of UK programmes have boosted the image of the UK.

**The UK TV production sector consists of a mixture of large and small independent producers** which operate alongside production companies owned by UK broadcasters. This successful production sector has attracted significant inward investment, from foreign broadcasters and streaming services.

**The UK independent TV production sector is not a product of the market alone;** it has been supported and nurtured by the rules and obligations placed on the PSBs over the years. Rules on external commissioning, IP rights and regional quotas have played a vital role in the emergence and development of the independent TV production sector in the UK.

## UK TV production industry

A7.1 The UK TV production sector has changed dramatically over the last 20 years. In 2004, the Public Service Broadcasters (PSBs) accounted for around 87% of all UK commissions.[1] The PSBs also dominated content production, accounting for over half (56%) of all UK production.[2]

A7.2 Fast forward to now, the sector is diverse, competitive, and internationally successful. It has almost doubled in size over this period with commissioning spend on UK productions estimated to range between £4.5bn and £5bn in 2018.[3]

A7.3 In 2018, UK producers were responsible for almost half of all peak-time shows in major international markets.[4] Formats such as *Love Island* and *Strictly Come Dancing/Dancing with the Stars* and *The Office* originated in the UK and have gone on to be global hits. These shows earn valuable export revenue (UK TV exports were £1.48bn in 2019-20),[5] and

[1] Ofcom, 2006. Review of the television production sector consultation. Page 48.
[2] Ofcom. 2006. Review of the television production sector – policy statement. Page 19.
[3] Ofcom (2006) estimated first-run commissioning spend on UK productions to be about £2.6bn in 2004. Using Ofcom/broadcasters' spend data on the PSB network, regional, and portfolio channels, Enders Analysis estimates of SVOD spend, and COBA estimates of multichannel spend, we estimate first-run commissioning spend on UK productions was between £4.5bn and £5bn in 2018.
See: Ofcom. 2006. Review of the television production sector consultation. Page 8.
[4] Oliver & Ohlbaum. 2020. Strengthening UK culture and creativity in a globalising TV marketplace. Page 37.
[5] 3Vision. 2020. Pact UK TV Export Report 2019-20. Slide 3.

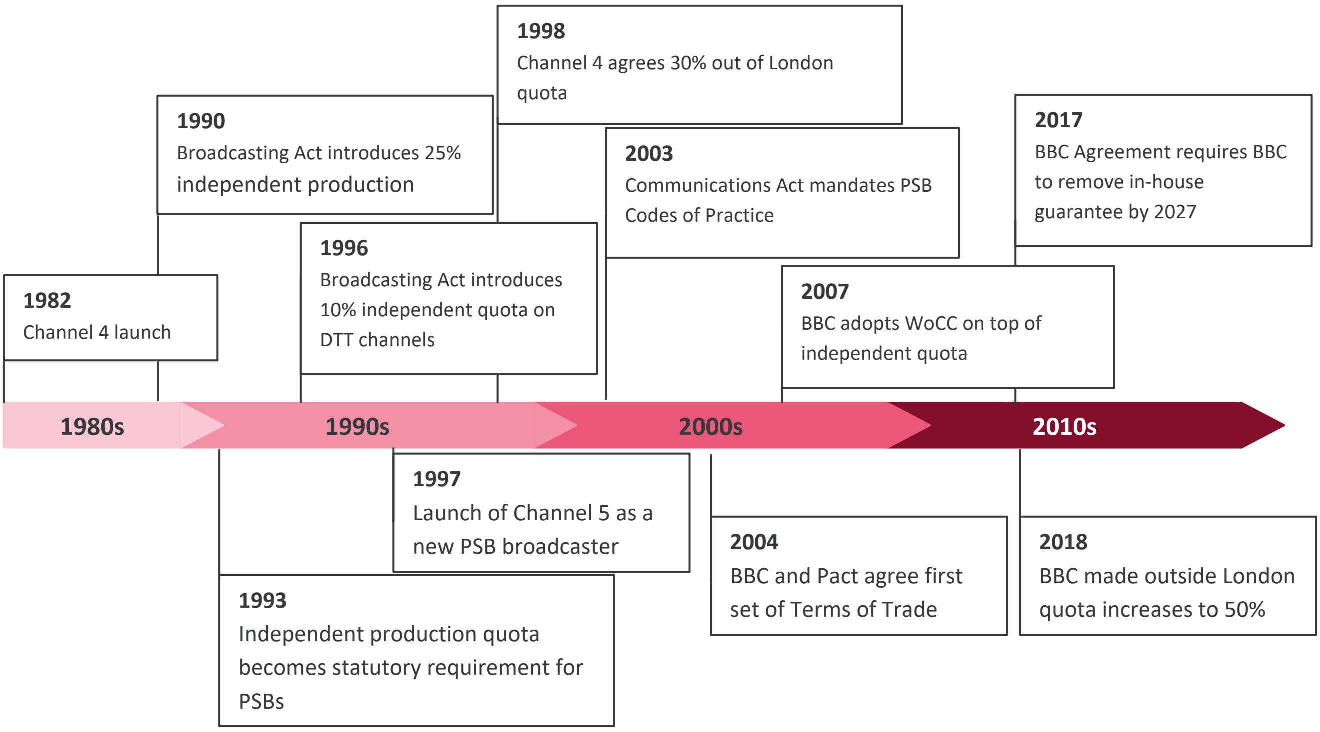
showcase UK culture – *The Great British Bake Off* alone has been shown in almost 200 countries.[6]

A7.4 The sector is thriving on a mixed ecology of large and small independent producers co-existing with broadcaster-owned producers and in-house production (particularly news and sport). A large part of the success of the industry has been due to collaboration between these different players. *The Great British Bake Off* is produced for Channel 4 by Love Productions, now owned by Sky. The BBC *hit Line of Duty* is produced by ITV Studios. *Songs of Praise* is now produced by smaller independents Nine Lives Media and Avanti, who won it when it was put out to competitive tender by the BBC in 2017.

## The UK TV production industry has been developed and supported by the regulations in place

A7.5 The success of the UK TV production industry is not a product of chance – it's grown out of a close relationship with the PSBs and a series of regulatory interventions. As shown in Figure A7.1 below, rules have been imposed on the PSBs over the years to ensure that they commission in a way which benefits the UK TV production sector, and which spreads those benefits across the UK.

**Figure A7.1: Key developments in the UK TV content sector**




*Source: Ofcom analysis*

A7.6 The aims of production regulation were threefold. To open up the system to new voices to promote cultural diversity; support small and medium-sized producers to promote

[6] The Guardian. 2015. Great British Bake Off recipe has proved a sweet success for BBC Worldwide.

creativity and foster new talent; and restrain buyer concentration and vertical integration within the market.[7]

A7.7 The regulatory framework for the UK TV content sector helped to create an environment that cultivated diversity of ideas and competitiveness, and encouraged the TV production sector across the UK to grow. This has led to international success. For example, Ben King, UK Director of Public Policy at Netflix stated:

*"The impact that the BBC has had over the last few decades in building the profile of the UK creatively, in nurturing talent, its investment in production and so forth, is one of the key reasons why we have chosen to make our home here and one of the reasons why we are such strong supporters of what it does and want to see it continue doing."*[8]

A7.8 We discuss below the role that three types of regulatory interventions have played in shaping the successful and diverse system we have today: external content production requirements; the Terms of Trade; and regional production requirements.

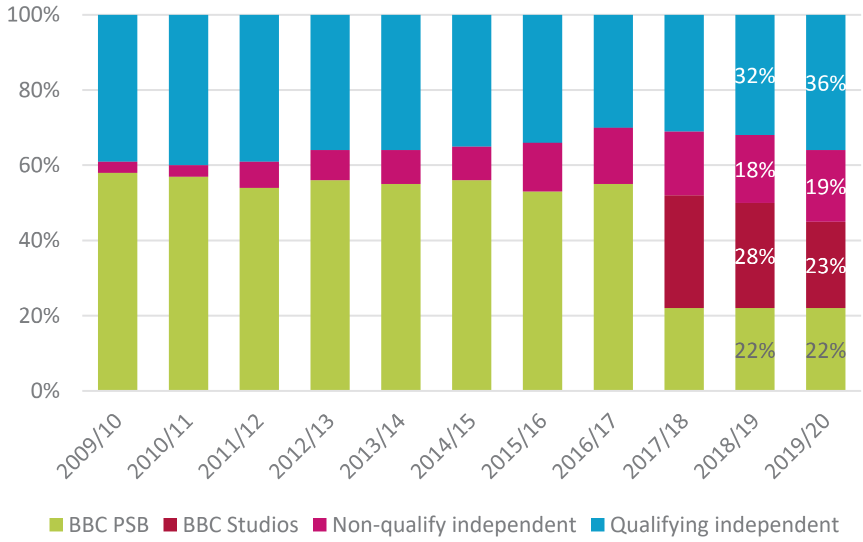
## External commissioning requirements are at the heart of a thriving independent TV production sector

A7.9 The UK independent TV production sector was substantively launched in 1982 with the start of Channel 4 as a publisher broadcaster.[9] One of Channel 4's aims was to support the development of independent TV production, implemented via a requirement to commission all its content externally. In addition, to further support the independent production sector, quotas were introduced for all PSBs in 1990 which required them to commission at least 25% of their hours from producers who met qualifying criteria.[10]

A7.10 The BBC Agreement commits the corporation to additional external production requirements. By the end of 2018, 40% of its relevant TV programmes were contestable to external production companies under fair, reasonable and non-discriminatory terms, rising to 100% by the end of 2027.[11] By the end of 2019, the BBC had made 62% of its content hours contestable, up from 56% in 2018.[12] The external tendering requirements have allowed external producers to supply an increasing share of BBC content (see Figure A7.2). In 2019 the majority (55%) of the BBC's network hours were produced externally.

[7] Ofcom. 2015. Review of the operation of the television production sector. Page 22
[8] House of Commons oral evidence Ben King. September 2020. The future of public service broadcasting, HC 156.
[9] Mediatique. 2005. From the cottage to the city: the evolution of the UK production sector. Page 3.
[10] The criteria for qualifying as an "independent producer" include not being more than 25% owned by a broadcaster operating in the UK or 50% owned by two or more UK broadcasters. See Annex 8, paras A8.24-25.
[11] Paragraph 7 of Schedule 3 to the Agreement.
[12] BBC. 2020. BBC Commissioning Supply Report 2019. Page 19.

**Figure A7.2: Share of BBC content produced by producer type, by network hours**




*Source: BBC Commissioning Supply Report 2019.*[13]

A7.11 Pact, the trade organisation representing the commercial interests of the UK independent production sector, also reports annually on the value and source of its members revenues. Pact's definition of independent producers is any company which is not wholly owned by a PSB provider, which is broader than the statutory definition of "independent producer".[14] In 2019 Pact found that the PSBs spent over half of their primary commissioning budgets on programmes made by independent producers.[15] For Channels 4 and 5 the vast majority of their commissioning spend flows into the UK independent TV production sector.

## The Terms of Trade regulations give producers ownership of IP rights

A7.12 The commissioning process between qualifying independent producers and PSBs is subject to a set of regulations unique to UK broadcasting, the Terms of Trade.[16] The Terms of Trade requirements were introduced in 2003 to address an imbalance in bargaining power between independent producers and PSBs and to improve the competitiveness of the UK production sector, which was then composed of mainly small companies.[17]

A7.13 PSB providers must put in place and comply with a code of practice setting out the principles they will apply when agreeing terms for the commissioning of independent

[13] BBC. 2020. Commissioning Supply Report 2019. Page 16.
[14] For the statutory definition, see footnote 10 above.
[15] The share of each PSBs primary commission spend invested in the UK independent production sector is calculated using the independent commissioning spend given in the Pact Census 2020 and internal Ofcom data on PSBs total primary spend, excluding spend on news and current affairs but including first-run UK originations spend by the PSB portfolio channels. 2018 portfolio spend data was used as that for 2019 is not yet available. As the portfolio channels will also spend on news and current affairs this is likely to be an underestimate of the share of PSB's total primary commissioning spend flowing into the independent production sector.
[16] Canada's Terms of Trade were abolished in 2016 as they were considered no longer necessary. Canadian Government. 2015. Broadcasting Regulatory Policy CRTC 2015-86. Paragraphs 140 and 141.
[17] See Annex 8, paras A8.24-29

productions.[18] These codes of practice must secure the high-level outcomes prescribed in legislation in the manner described in Ofcom guidelines on commissioning.[19]

A7.14 Ofcom's guidance does not set the exact terms that should be agreed but contains principles about what Ofcom would expect to see in the codes of each PSB provider.[20] The code of each PSB provider must be submitted to Ofcom for approval.

A7.15 Ofcom's guidance states that qualifying independent producers should retain rights in the programmes unless these are explicitly sold to a PSB; that PSBs are not allowed to make commissioning conditional on ownership of ultimate rights; and that the PSBs should not seek to include rights in perpetuity as a matter of course.[21] The PSBs each publish standard terms which they negotiate with Pact, the trade organisation for the production sector.

A7.16 The Communications Act 2003 and the resultant Terms of Trade arrangements were a departure from the previous norm which was that PSBs made commissioning conditional on owning the rights to the programme, although there were exceptions to this. Even prior to 2003, the rights to highly sought-after programmes such as *Who wants to be a millionaire?* and *Big Brother* lay with the production company.

A7.17 The first Terms of Trade negotiations were in 2004. The primary rights negotiated by PSBs were mainly for linear services: the BBC had just seven days VOD in its Primary Rights.[22] Since then, the PSBs have obtained longer VOD rights in return for a smaller share of secondary revenues. For example, Channel 4 has the most extensive PSB VOD rights during its primary licence period of three years (which can be extended by up to 2 years with a payment to the producer). In return, the producer keeps all international secondary revenues, and all UK revenues after the Channel 4 licence term.[23]

A7.18 In other international markets and when commissioning from subscription video on demand services (SVoDs) in particular, it remains common for commissioners to expect more extensive primary rights. For example, Netflix's primary commissions are often conditional on owning the full international rights to a programme.[24] Pat Younge, an independent producer said at the Ofcom Small Screen: Big Debate event:

*"We have the best environment for independent producers to create content because they can hold onto their rights in the world. And that has absolutely sort of powered the engine."*

A7.19 This has allowed the independent TV production sector to benefit from the growing value of international secondary rights boosted by the growth in SVoD services and the

[18] See Annex 8, paras A8.26-29.
[19] See Annex 8, paras 8.26-29.
[20] See Ofcom's statement of 21 June 2007 entitled "Guidance for Public Service Broadcasters in drawing up Codes of Practice for commissioning from independent producers".
[21] Ofcom. 2007. Guidance for public service broadcasters in drawing up codes of practice for commissioning from independent producers. Pages 18 -23.
[22] BBC. 2004. The BBC's General Terms for the production of television programmes by independent producers.
[23] Pact. 2019. Pact and Channel 4 agree landmark Terms of Trade deal for new digital era
[24] Mediatique. 2020. State of the markets in which BBC Studios operates. Page 63

increasingly global market for content. In 2019, independent producers generated £487m in revenues from secondary rights or £570m including new media rights.[25]

## Regional requirements spread TV production across the UK

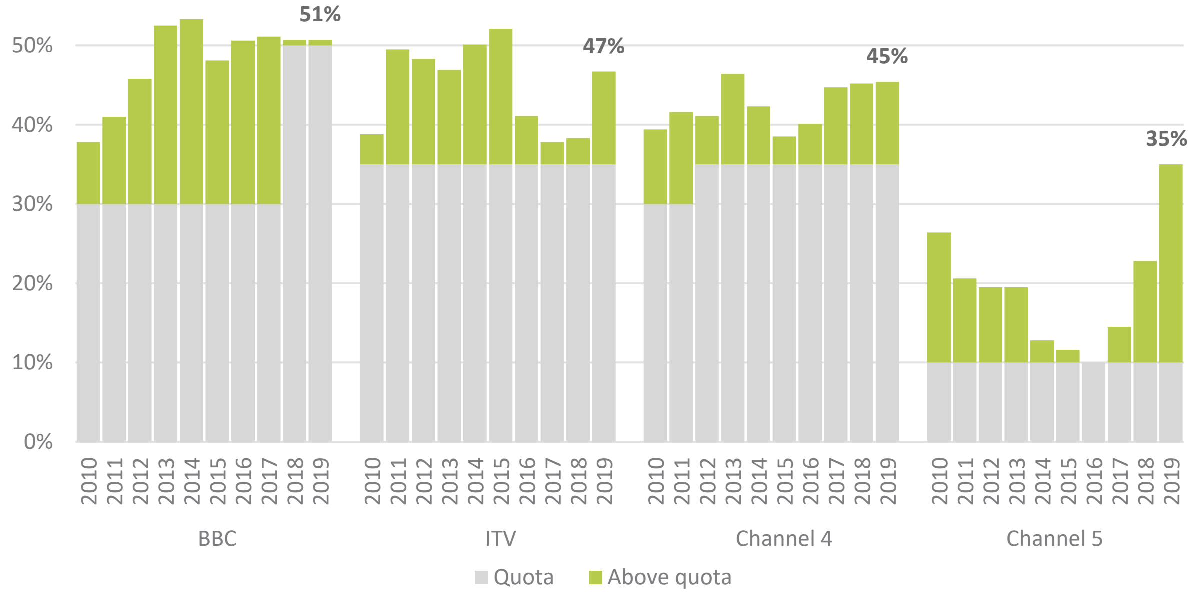
A7.20 The PSBs are also subject to regional production requirements.[26] This intervention aims to support the development of the sector outside of London and assists in delivering diverse content that is representative of the UK as a whole.

A7.21 Regional production quotas were progressively implemented from 1998 as part of licence and charter renewals. These set the minimum proportion of programme commissions for UK-wide programmes[27] that must be produced outside of London[28] (in-house or external). The quotas for the BBC and for Channel 4 have increased since they were introduced, and these broadcasters are also subject to specific quotas requiring content to be made in Scotland, Wales and Northern Ireland. There are further production requirements for the BBC's and the Channel 3 services' regional programming, providing that a suitable proportion of these regional programmes must be made in the relevant region. The criteria for productions to qualify as regional productions have been strengthened: Ofcom revised its guidance on regional production requirements in 2019.

A7.22 Production quotas have been successful in encouraging production outside of London, both by in-house producers and independent production companies. MOL data shows that the BBC, which faces the highest regional production requirements, also spends more than any other PSB outside of London (see Figure A7.3). All PSBs have increased their MOL content in recent years, with the largest increases achieved by Channel 5.

[25] Oliver & Ohlbaum. 2020. UK Television Production Survey. Slides 11 and 25.
[26] See Annex 8, paras A.15 and A.20.
[27] Some commissions, such as news and nations and regions content are excluded from these calculations.
[28] Commissioning spend is allocated to geographic areas based on a programme level based on the location of the substantive base of the producer, production spend, and usual employment of off-screen talent. For further details see Ofcom. 2020. Updated Guidance Regional production and regional programme definitions: Guidance for public service broadcasters.

**Figure A7.3: PSB share of spend commissioned on qualifying Made outside London programmes compared to required level, 2010-2019**




*Source: Ofcom PSB Compliance Report 2020*

## A diverse, dynamic and outward looking UK TV production sector

A7.23 The regulatory foundations have helped develop the diverse and competitive UK TV production sector we have today where broadcaster owned studios compete for commissions alongside a wide range of independent producers.

### Broadcaster owned

A7.24 At the time of the 2003 Communications Act, producers owned by UK broadcasters (particularly ITV and the BBC) constituted the largest share of the production sector and were concentrated in London. Partly as a result of the regulations set out above, their share of production has however slowly been declining and Pact, ITV, and BBC data suggests that in 2019 the majority of UK TV commissioning revenues were generated by independent production companies (i.e. production companies not owned by a PSB).

A7.25 Broadcasters now commission content from a variety of sources. While the BBC, ITV, and Sky all continue to produce some content through dedicated in-house production, they all also operate separate production companies which produce content for internal and external commissioners. In addition, replicating the business model of super indies, they have all purchased external production companies which they continue to run at arms-length, such as TwoFour (who made *Educating Essex* and *the Real Marigold Hotel*), acquired by ITV, and Lookout Point (*A Suitable Boy, Gentleman Jack)*, acquired by BBC Studios.

A7.26 The largest broadcaster-owned producer, ITV Studios, earned £725m in UK production revenues in 2019,[29] of which Mediatique estimated £573m was for internal productions.[30] BBC Studios production income in 2019/20 was £442m.[31] Sky also operates significant and growing in-house production facilities,[32] and is investing in studio space at Elstree.[33] Channel 5 and Discovery have smaller operations.

### Independent producers

A7.27 Independent producers vary in size from one-person firms to multinational super indies.[34] It is estimated that roughly 450 production companies currently operate in the UK.[35] Total independent sector revenues –defined by Pact as producers not wholly owned by PSBs – are estimated to have reached £3.3bn, including £2.7bn in primary commissions, significantly exceeding the production revenues of UK broadcasters.[36]

A7.28 The majority of revenues are generated by large producers. According to Mediatique estimates, almost two-thirds of independent sector revenues are generated by producers whose annual turnover is greater than £25m per annum (see Figure A7.4). It also estimated that the largest super-indies[37] alone account for c.38% of all revenues.

A7.29 Super-indies such as Banijay Group (*Master Chef)*, Freemantle *(Grand Designs)* and All3Media (*Gogglebox)* are, according to Mediatique, 'highly diversified and international businesses with depth in genre and client base'.[38] They have grown through a process of consolidation and the integration of production and distribution activities. This has left them able to produce high-end drama and entertainment formats that often have significant secondary rights values. These super-indies are increasingly owned by large international companies: eight of the top ten independent production companies are owned by international conglomerates such as Sony, RTL and NBC.[39]

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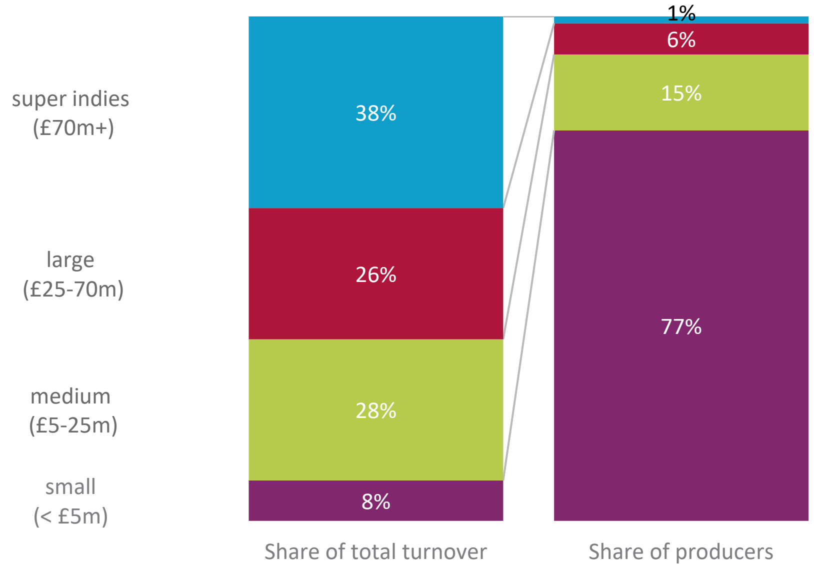
[29] ITV. 2020. Annual Report 2019. Pages 32 and 168. ITV Studios total revenues in 2019 were £1,822m split across ITV Studios UK (£725m), ITV Studios US (£271m), ITV Studios International (£508m), and Global Formats and Distribution (£318m). This is notwithstanding the fact that, over the past ten years, ITV Studios has been pursuing a strategy of acquisition and expansion, both with UK and international production companies, including acquiring Big Talk in 2014 and Mammoth Screen in 2015.
[30] Mediatique. October 2020. State of the markets in which BBC Studios operates. Page 34.
[31] BBC. 2020. BBC Annual Report 2019-20. Page 54 and 177. BBC Studios does not report internal and external revenues separately. In its annual report BBC Studios noted that in 2019/20 it won 28 third party commissions out of a total of 77 commission won for the year. BBC Annual Report 2019-20. Page 53. This revenue excludes BBC Public Service productions such as news, sport and children's.
[32] Sky does not provide detailed public information on its production and distribution businesses. In its annual report for the year 2017/18 it states that Sky Vision, its production and distribution arm generated over £200m in revenues. (Sky Annual Report 2018 page 8). In 2019 Sky Vision's production interests were merged with newly formed Sky Studios and its sales arm was folded into NBCUniversal Global Distribution. See: TBI. 2019. Sky Vision formally shuttered after NBCUniversal transfer.
[33] Sky. 2020. Sky Studios Elstree receives planning approval.
[34] For the statutory definition of independent producer, see Annex 8, paras A8.25.
[35] Mediatique. 2020. State of the markets in which BBC Studios operates. Page 43.
[36] Pact. 2020. Pact Census 2020. Slides 3 and 8.
[37] Mediatique defines super indies as companies not aligned with the PSBs and with revenues of more than £70m. Mediatique. 2020. State of the markets in which BBC Studios operates. Page 43.
[38] Mediatique. 2020. State of the markets in which BBC Studios operates. Page 44.
[39] According to Broadcast's Indie Survey 2020.

**Figure A7.4: Independent producers by share of turnover and producer size**




*Mediatique estimates*[40]

A7.30 The sector is also home to a larger group of medium sized producers and a long tail of small producers. Medium-sized producers such as *Maverick Television (Inside the Ritz Hotel)* and *Vox Pictures (Aberfan: The Green Hollow)* with revenues of £5 to £25m per year account for about 28% of revenues. Mediatique described these production companies as 'highly professionalised outfits, often focused on documentaries, factual and factual entertainment' with 'proven success in securing demand from domestic broadcasters.'[41] Approximately 350[42] smaller producers with turnover below £5m account for a much smaller share of revenues (estimated at 8% by Mediatique).[43] Many of these companies produce niche genres or single titles, that are less likely to have secondary rights value.

## The UK TV production sector has attracted substantial inward investment

### Increasing commissioning income from non-PSBs

A7.31 The UK TV production sector, and the independent TV production sector in particular, has successfully diversified its revenue streams in recent years. UK multichannel groups such as Sky and UKTV, international channels such as Disney, Discovery and NBCUniversal, and SVOD services such as Netflix and Amazon are all now important commissioners of UK content and have been key to the sector's recent growth.[44] These sources are expected to

[40] Mediatique used turnover information from the Pact UK Television Census 2020 but estimated a different number of producers than Pact. Some individual entities treated as individual producers by Mediatique are owned by larger super indie groups or holding companies. For example, Endemol Shine owns Tiger Aspect, Kudos, and Shine TV, all of which are treated by Mediatique as individual companies. Mediatique. 2020. State of the markets in which BBC Studios operates. Page 44.
[41] Mediatique. 2020. State of the markets in which BBC Studios operates. Page 44.
[42] Pact estimated there are circa 250 small producers with a turnover of less than £1m in its UK Television Census 2020, slide 12. Mediatique estimated a higher number of total production companies.
[43] Mediatique. 2020. State of the markets in which BBC Studios operates. Page 44.
[44] Mediatique. 2020. State of the markets in which BBC Studios operates. Page 31.

continue to grow, with Netflix having recently announced increased investment in UK productions.

A7.32 International commissioners are likely to be attracted by the skillset found in the UK TV production sector,[45] the English language, tax breaks, and exchange rates. Georgia Brown, Director of European Originals, Amazon Studios, echoed this when she said *"I am attracted to the UK because of the talent, the creative industries, the skills that we have here. The facilities and infrastructure we have are attractive. I think UK creatives continually punch above their weight"*.[46]

A7.33 The growth in production activity has increased pressure on studio space, leading to Netflix securing a long-term lease on production space at Shepperton Studios.[47] New production facilities are now in planning or development. While this has concentrated on areas within easy reach of London, some projects, such as the Belfast Harbour Studio extension[48] are being built in the nations and regions.

A7.34 The 2020 Pact Census showed the UK independent production sector now generates more than half its revenues from international commissioners, UK multichannels, and secondary rights (see Figure A7.5).[49] The Pact Census estimated UK multichannel spend on primary commissions at £390m in 2019, more than three times total UK multichannel spend in 2004.[50] International primary commissions have grown from £161m in 2008 to £988m in 2019, an 18% year on year nominal growth rate,[51] while secondary rights revenues grew to £487m in 2019.[52]

[45] A large part of this success comes from having the skill set to attract investment from around the world, the ability to produce UK focused but internationally appealing finished programmes, such as *Derry Girls (*Hattrick productions), first commissioned by Channel 4 but later sold to Netflix, and an appetite for British formats around the world. Formats such as *Who wants to be a millionaire? (Celador, 1998)*, *Strictly Come Dancing (BBC)*, *X-Factor* and *The Voice* (ITV) are now recognised around the globe.

[46] Oral evidence to DCMS. 2020. Inquiry into the Future of Public Service Broadcasting. Page 14.

[47] Netflix. July 2019. Netflix creates UK production hub at Shepperton studios.

[48] Belfast Harbour. 2020. Belfast Harbour submits planning application for major film studios expansion.

[49] The rights associated with a primary commissioning vary. Typically, international commissioners secure more extensive primary rights than UK PSBs. This may have some impact on the relative revenues of primary and secondary sales of PSB commissions compared to other commissions.

[50] Ofcom estimated UK multichannel spend on UK primary commissions to be 123m in total in 2004. Source: Ofcom, 2006. Review of the television production sector consultation. Page 48.

[51] Oliver & Ohlbaum. 2020. UK Television Production Survey. Slide 10.

[52] Secondary rights revenues rose significantly until about 2015 and have plateaued at a high level since (Oliver & Ohlbaum. 2020. UK Television Production Survey). This growth coincided with increased demand from SVOD players who were aggressively building their content libraries by licensing rights. There is some uncertainty around how these rights developed on a like for like basis given changing primary rights windows.

**Figure A7.5: Independent producer revenue in 2019, by source**


*Source: Pact Census 2020. The Pact survey covers TV and film production companies in the UK excluding those companies wholly owned by PSBs (e.g. BBC Studios and ITV Studios). PSB spend includes portfolio channels.*

## PSB commissions have declined but remain important

*"The PSBs are the backbone of the screen industries."* **Richard Williams, Northern Ireland Screen**

A7.35 In contrast to the increase in international and multichannel investment, real spend by the PSBs has been in gradual decline, falling at an average rate of 2% per year from its peak in 2006, to 2019. However, they still remain the largest investors in UK content and are particularly important for smaller production companies.

A7.36 Once both in-house and external commissions are considered, total PSB investment in new UK content reached £2.8bn in 2019,[53] and almost £3bn if the commercial PSB portfolio channels are included.[54] [55]

A7.37 According to Pact, in 2019 the PSBs commissioned almost £1.3bn in programmes from independent producers, with the BBC remaining by far the single largest commissioner of new independent sector content. Channel 4 (£332m) alone commissioned almost as much primary content from independent producers as all international video-on-demand services combined (£337m).[56]

A7.38 Comparisons based only on spend underestimate the importance of the PSBs for the UK TV production sector. For the same spend, the PSBs produce more hours of content and work with more producers than international commissions. Peter Kosminsky of Stonehenge Films recently said "*for the $110m that was spent on one series of The Crown the BBC made 18 different dramas*."[57] In 2019, the PSBs made available over 12,000 hours of first-run UK content, excluding news and sport.[58] This compares to approximately 2,100 hours made available by commercial broadcast channels such as Sky and UKTV in 2018,[59] and 152 and 12 hours of UK originals added by Netflix and Amazon to their respective libraries in 2019.[60]

A7.39 The breadth of UK producers that the PSBs commission from is vital to the success of small producers, as it helps them develop and grow. In 2019 the BBC commissioned from 354 external producers,[61] Channel 4 from 274,[62] and ITV from 86.[63]

## The PSBs are particularly important for TV production in the nations and regions

A7.40 The PSBs have taken a lead in supporting local content, the regionality of TV production, and developing and supporting creative clusters.[64] They have done so both by

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[53] The main PSB channels invested £2.5bn in first-run UK originations in 2019. In addition, the BBC, ITV and STV spent £316m on first-run UK content in the nations and regions.
[54] First-run commissioning by the PSBs portfolio channels was worth £140m 2018. We are still waiting on 2019 data on PSB portfolio channel spend.
[55] PSBs also spend on secondary rights in order to show repeats or extend their rights to show certain content. These backend purchases are a further source of revenue for independent producers. Further, some PSBs have argued that a portion of third-party finance, attributable to government tax credits, distribution advances, and/or presales of UK secondary rights, and which accrue to independent producers as a direct result of PSB commissions should be considered when assessing the contribution PSBs make to supporting the independent production sector.
[56] PSBs also purchase secondary rights in order to show repeats or extend their rights to show certain content. These back-end purchases are a further source of revenue for independent producers.
[57] Oral Evidence for Select Committee on Communications. 30 April 2019. Public service broadcasting in the age of video on demand.
[58] Ofcom/broadcaster data. The figure does not include commercial PSB broadcasters' portfolio channels or S4C, BBC ALBA, BBC HD, and nations'/regions' programming.
[59] Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-18) February 2020. Page 20
[60] Ampere Analysis.
[61] BBC. 2020. BBC Commissioning supply report 2019. Page 15
[62] Channel 4. 2020. Annual Report 2019. Page 17
[63] BBC. 2020. BBC Commissioning supply report 2019. Page 15
[64] Enders Analysis. 2020. The BBC Benefiting the UK creative economy. Page 4

commissioning from independent regional producers and by moving in-house capabilities out of London. For example:

a) Over half (52%) of the BBC's workforce is now based outside of London,[65] and it aims to grow this share to two-thirds by 2027.[66] Among others, BBC Sport and Children's programmes are produced in Salford, a new technology hub is being established in Newcastle and *Doctor Who* is produced in Roath Lock, Wales.[67] [68]

b) Nearly half of ITV's UK employees are based outside London with significant presence in Cardiff, Leeds and Salford.[69]

A7.41 In addition, Channel 4 has opened a new national HQ in Leeds and Creative Hubs in Bristol and Glasgow and is committed to having 300 jobs based in the nations and regions by 2021.[70] It has further set itself a voluntary target of 50% of its original content budget invested outside London by 2023 (Channel 4's quota is 35% and it achieved 45% in 2019).[71]

A7.42 To ensure more diverse programmes and freedom to take more risks, it is important that that the commissioning teams reflect the diversity of the UK and they are embedded in the nations and regions with sufficient autonomy and ability to make commissioning decisions. Our conversations with independent producers in the nations and regions would suggest that too many of these decisions are still effectively made in London.

A7.43 Despite this the PSBs are very important for independent producers in the nations and regions. Pact's census data shows that they are responsible for 61% of independent producer commissions outside of London,[72] compared to 48% across the whole of the UK.[73] However, some non-PSB productions have also had a significant impact on the nations and regions. For example, Richard Williams, chief executive of Northern Ireland Screen described HBO's *Game of Thrones* as, "The single most positive thing to happen to the screen industry in Northern Ireland."[74].

A7.44 The decisions by PSBs to relocate operations out of London come at significant cost and business risk to PSBs. Both Channel 4 and the BBC experienced high staff turnover as a result of relocations out of London risking a loss of experience and continuity, in an industry where relationships are central to success.[75] By taking these steps PSBs can however reduce the commercial risk for private investment by establishing regional talent

[65] BBC. 2020. Annual Report 2019/20. Page 31.
[66] BBC. 2020. Annual Plan 2020/21. Page 46.
[67] BBC. 2020. Annual Plan 2020/21. Page 45
[68] BBC. 2020. Annual Report 2019/20. Page 48
[69] ITV written evidence submitted to DCMS. 2020. Inquiry into the Future of Public Service Broadcasting. Page 8.
[70] Channel 4. 2020. Annual Report 2019. Page 14 and 'Channel 4 sets out path to digital future with new strategy: Future 4'
[71] Channel 4. 2018. 4 All the UK.
[72] Oliver & Ohlbaum. 2020. UK Television Production Survey Financial Census 2020 – Nations & Regions Annex. Slide 7
[73] 61% of the UK independent producers' primary rights revenue for productions made outside of London were commissioned by PSBs according to slide 7, Oliver & Ohlbaum UK Television Production Survey Nations & Regions Annex. Across the whole of the UK, 48% of "external TV commissioning value" is from PSB commissions, according to Slides 10 and 16, Oliver & Ohlbaum. Financial Census 2020.
[74] The Irish Times. 2019. What Happens to Northern Ireland's film industry now Game of Thrones is over?
[75] Enders Analysis. 2019. Channel 4's balancing act: 2018 annual report. Page 3.

clusters. In this way, PSB investment can result in 'crowding in' by facilitating the conditions for private sector investment.

A7.45 The value PSB investment can bring to an area is showcased by the impact the BBC's Natural History Unit has had on Bristol. The BBC's commitment to the city led to crowding in of specialist suppliers ranging from underwater filming specialists to feature film composers.[76] A cluster of independent natural history producers have grown around it such as Plimsoll Productions, Silverback, and Humble Bee Films – all of which were founded by former BBC staff.[77]

### Impact of Covid-19 on the production sector

Covid-19 has had a significant impact on TV production in the UK, with most productions paused from March lockdown until Covid-19 safe guidelines were approved and implemented.

Broadcasters have announced initiatives to mitigate the impact of the production shutdown on independent producers. Among the PSBs, the BBC has increased its Small Indie Fund this year from £1m to £2m, and also announced an expansion in BBC Three creative partnerships across the nations and regions. ITV announced a development fund of £500,000 for indies to start work on content, focusing on unscripted content that could be made relatively quickly and would be ready to be transmitted in late 2020 or early 2021.[78] Despite having to make substantial budget cuts, Channel 4 ringfenced its spending and development funds for smaller independent production companies, and those based in the nations and regions. S4C provided a £6m package of support for independent producers including an immediate commissioning round to include documentaries, uplifting programming and comedy to raise the spirits of viewers during the Covid-19 emergency.[79]

An emergency relief fund was set up by the BFI, helped by a £1m donation from Netflix and £500k from Sky, to help workers in the creative industries through the pandemic, including freelancers who were not eligible for other government support.

[76] Deloitte. 2010. The Economic Impact of the BBC: 2008/09. Page 73.
[77] The founder of Plimsoll, Grant Mansfield, started his career at the BBC (Plimsoll). Silverback was founded by Alastair Fothergill, Keith Scholey, Jane Hamlin, and Huw Cordey all of whom gained previous experience at the BBC NHU (Silverback). The Team at Humble Bee Films also all have a history with the BBC NHU (Humble Bee Films).
[78] ITV, ITV looks to support indie sector during lockdown with £500k development fund, 6 April 2020
[79] BFI, New COVID-19 Film and TV Emergency Relief Fund set up, 9 April 2020