



Response to Ofcom Review of Public Service Media – *Small Screen, Big Debate*

March 2021

About TAC

1. TAC (Teledwyr Annibynnol Cymru) is the industry body for the independent television production sector in Wales. The 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. TAC members produce content for the BBC, ITV, Channel 4, Channel 5 and Sky as well as other commercial broadcasters. They produce almost all 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, Pili Pala* and *Craith / Hidden*. 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.

Context

3. TAC agrees that this is an important moment for the future of the public service media ecology in the UK. At the most fundamental level, TAC is of the opinion that the need remains for such an ecology to continue, to provide a universally accessible range of services across a wide number of genres, with a clear focus on original UK-produced content.
4. However, Ofcom and Mediatique rightly conclude that due to the growth in SVoD viewing, public service media providers will have to adapt their practices. We agree that government and Ofcom will need to look at legislation to enable PSBs to have prominence on a wider range of platforms and services.
5. Our members work with the new SVoD services, and welcome additional outlets for their creative content. Nonetheless, many of the streaming services are global in nature and focus on specific genres and formats. We therefore do not see these services as ultimately replacing the need for UK-based public service content provision.
6. It is worth stating also that we cannot rely on the continued success of any purely commercial platform to fulfil a role of 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 SVoD 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."¹

7. Our PSB system also helps to portray a positive view of the UK to the rest of the world through exports of the programmes it funds, and also through such services as news. The BBC reported last year that globally, 465m households had access to BBC World News.²
8. The skills base built up by the investment of the PSB has led to the UK having a strong production sector which, helped by government tax breaks, has attracted significant international investment in many productions. TAC has established a training partnership with S4C to ensure a sustainable skilled workforce, with courses and workshops in locations around Wales. This has migrated online during the Covid-19 crisis in order to continue to deliver to large numbers of delegates from all around Wales. During 2020, TAC held 33 training sessions in 15 subjects, with an attendance of c. 500 delegates from 18 different companies. Ten per cent of attendees were freelance workers, who have been offered free places on all TAC training since the pandemic began. Other PSB have similarly invested in production skills, either directly or via general investment in the sector.
9. While commercial television is growing, and we have seen the rise of prominent global services such as Netflix, Amazon Prime and Disney+, we believe that the role of UK-focussed public service content provision is as important as ever. As the number of SVoD services continues to multiply, with some content providers withdrawing their content from Netflix as they set up their own services, pressure is brought to bear on each individual service to maintain and grow its subscriber base. In such a competitive environment, there is little room for programmes which may create a real connection with their audience but do not produce the right audience numbers worldwide, as evidenced by the number of series cancelled by Netflix in 2019.³
10. There is a potential threat that SvoDs will continue taking a greater share of UK markets, and yet they are presently not regulated to the same degree as the PSBs in terms of ensuring the UK production sector takes a due share from the exploitation of any content. Ofcom and the UK Government should look to implement further measures to protect the important and unique ecology of public service broadcasting in the UK.
11. The recent impact of Covid-19 showed how important it was to have not just strong locally-produced news and current affairs, but expertise in other genres which, in a very short time, created programing to help, reassure and entertain people during the crisis. In social and cultural terms, PSB shows are made to specifically reflect UK audiences, either as a whole or in various parts of the country.
12. As the pressures on PSM grow, it is important to go back to the fundamental needs they fulfil, and ensure that it addresses them as effectively as possible. This includes ensuring that voices from all around the UK are reflected in our PSM, and that producers have full opportunity to deliver fresh ideas, perspectives, locations and talent to audiences in the UK and beyond.
13. We agree with Ofcom's repositioning of the discussion in terms of it being about 'public service media'. This echoes the approach taken by S4C, endorsed by the 2018 Independent Review and Government

¹ Public Service Broadcasting: As Vital As Ever. House of Lords Digital & Communications Committee. 1st Report of Session 2019, Nov 2019, p32, para 106

² Annual Report and Accounts. BBC, 2019, p73

³ <https://www.radiotimes.com/news/on-demand/2019-08-09/netflix-cancelled-tv-shows-2019/>. Accessed 12.

response to it, that in future, S4C needs to be a ‘public service media provider’, working across multiple platforms.

Independent Production Quota and Terms of Trade

14. We note that Ofcom is consulting on this issue separately, and we will respond to that consultation also. We would emphasise in this submission how a thriving independent production sector around the UK is important to the future of the UK’s PSM system. Given the success of the Terms of Trade legislation in the Communications Act in creating our thriving independent sector, we would urge Ofcom not to rebalance the power in the marketplace away from producers being able to retain control of their intellectual property rights.

Answers to Consultation questions

Question 1: Do you agree that a new regulatory framework for PSM delivery should support a more flexible ‘service neutral’ delivery approach that is more outcomes focused?

15. Without question, the changing methods of distribution of audio-visual content means a re-evaluation of the approach to regulating public service media provision. It is therefore very important for Ofcom to map out the necessary read-across of regulatory structures to embrace the presence of content commissioned by the recognised PSBs. In doing so, Ofcom needs to recognise that commissioning needs to continue to fall within the regulated Terms of Trade, with any necessary legislation adjusted accordingly. We already have a situation where the UK PSBs’ portfolio channels are not classified as public service and therefore are not subject to regulated Terms of Trade, and this can be perceived in the production community as a way of the Terms of Trade being circumnavigated, which could grow in an online-only world.
16. Ofcom’s proposed approach has been to identify four key features for PSM to survive, to be applied to PSM activity across platforms and services. We offer commentary on these below:
 - i) ***A broad range of high-quality content that meet the needs and interests of diverse audiences***
17. We agree that this is an essential element of PSM provision. We particularly welcome Ofcom’s suggestion that this should include: *“Investment in a thriving UK production sector comprised of PSB, commercial providers and both large and small independent producers from across the UK nations and regions, will best secure the production of this content.”*
18. The existence of the PSB system in the past has undoubtedly led to the UK having world-leading content production industries, in TV and audio-visual mediums as well as radio. It has led to the creation of a thriving independent sector, as well as in-house expertise, creating content which not only continues to set the standard for all broadcasters but has led to that standard being replicated by the domestic commercial players such as Sky. With its remit as a publisher/broadcaster, the creation of S4C was crucial to the creation of a strong independent sector in Wales, along with BBC / ITV Wales.
19. If there is a move to becoming service neutral, it will be vital to emphasize the importance of the brand identities of the UK PSM providers and the danger of the content not being identifiable when shown on other platforms or behind paywalls. This relates to PSMs in terms of the importance of protecting brand S4C in a time of such proliferation of channels and platforms which is diluting the impact of PSBs content and also producers’ brands including nations and regions producers.

20. Regulation needs to stay content focussed and ensure economic growth in the nations and regions. Current quota regulations, accompanied by the guidelines on what constitutes on out-of-London production, protect producers in the nations and regions. If there is a failure to read across the relevant regulation, for example the Nations and Regions quotas, into the new PSM regulatory regime then that would reverse recent progress and have a negative impact.

ii) Content that is widely available, and which audiences can find easily

21. Without doubt, the new streaming services have been disruptive to the PSB system, and an adjustment is still taking place, which has been exacerbated by the Covid-19 crisis. Ultimately, however, we believe PSB and commercial services can co-exist in the correct regulatory environment. For example, we would like to see further steps taken to ensure EPG prominence for all UK PSBs, including S4C, to ensure they are easily accessible on as many platforms as possible which provide content to UK audiences.

22. In our opinion, universality lies at the heart of PSB. Although there is an ongoing discussion about the exact mechanism of funding going forward, nevertheless, whether it is regulatory support in the shape of EPG prominence or direct government funding, PSM will continue to require state support. Therefore, the content created and distributed will need to be accessible to all. This clearly makes prominence on platforms distributing to UK audiences crucial.

iii) Some companies with scale to compete with global players and reach audiences

23. By ‘companies’ we assume Ofcom means public or privately-owned organisations which include, or are similar to, the current PSBs (i.e. the BBC, ITV, Channel 4, S4C, Channel 5). We agree that a set of significant, well-funded commissioning players is important to the future of UK PSM content. The resulting commissioning spend enables the aforementioned wide range of content to be provided, in addition the presence of significant brands will be an aid to gaining audiences.

iv) “The PSM system also needs a funding model that provides reasonable stability. The UK’s creative economic success has been in part built upon the stability provided by the PSBs’ financial and regulatory framework. Stability supports long term and inward investment and can in turn maximise societal benefits such as developing skills and employment across the UK.”

24. Stability is extremely important for commissioning teams and production companies to plan ahead, not least given the long lead-in times of much of TV production. We have seen in the past the uncertainties caused by the regular adjustments to S4C’s budget following the change in its funding mechanism in 2010, which led to a decrease in funding of 36% in real terms. Following the UK Government’s decision to provide the majority of public funding from the TV Licence Fee (c. £76m) plus a further £6.7m grant from DCMS, further cuts were proposed to S4C’s DCMS funding, which led to problems in its ability to plan its future commissioning strategy and provision of overall services.

25. While there are encouraging signs that more production is being commissioned from outside London, we believe it is important to continue to have robust regulation to ensure that companies all around the UK have a level playing field to access commissioners and schedules, in order to bring as wide a range of stories, talent, perspectives and ideas to the UK public as possible. TAC welcomed Ofcom recently strengthening its out-of-London production guidelines. However, the fact that this was deemed necessary demonstrates the importance of regulation, which acts as a leveller across all PSBs, enforces high

standards and makes sure that the PSB content is made by a wide range of creative companies across the UK.

26. 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. It remains the case that only 37% of TV production jobs are outside London.⁴ The effectiveness of the quotas in ensuring that non-London based companies benefit more from PSB commissioning has been determined by guidelines published by Ofcom which specify what constitutes an 'Out-of-London' production. These guidelines have historically not been sufficient to prevent a London-based company setting up a temporary operation to win out-of-London quota commissions, or for a production to be commissioned from a company out-of-London, but for the commissioner to insist that senior London talent is attached, and that other processes such as post-production continue to be carried out by London-based companies.
27. For these reasons, TAC and others engaged with Ofcom to strengthen these guidelines during the last review in 2019. We are now hopeful that we will see an improvement in genuinely nations and regions companies being commissioned which are set up by people already working in that location and employing largely local staff. This is not to say that there is anything wrong with a company based in one part of the UK making a programme in another location, but greater efforts are still needed for PSBs to commission companies with a genuinely greater knowledge of an area and its people where that is an important factor.
28. Ofcom reported last year that just 47% of people believed that public service broadcasters portrayed their region or nation fairly to the rest of the UK⁵ so there is clearly further work to be done. TAC recognises that there has been a growing movement to establish production bases outside London. ITV, Channel 4 and the BBC have been basing more commissioning and in some cases services outside London. We hope this will lead to further progress towards a greater engagement on the part of the PSBs with independent producers from all around the UK.
29. We are concerned by recent remarks by a senior Ofcom executive that the BBC may be allowed to set its own quotas going forward.⁶ We believe this would be an erroneous step and represent a dereliction of duty by Ofcom to ensure the BBC is meeting its public purposes. Given the ever-present tension between delivering significant audiences and also meeting its obligation to address market failure by producing content which the market could not provide, expecting the BBC to define its own obligations is entirely inappropriate.
30. Another question will be raised if broadcasters are being encouraged to work with global players, and again how this will affect TV Terms of Trade. While Netflix, for example, pays reasonable prices for content, they tend to require all-rights ownership, preventing producers from exploiting their IP in future. This is sustainable while there is a mixed commissioning market with producers able to retain IP rights from PSB commissions, but the loss of the ability to retain IP even with the PSBs would cause a huge deflation of the value of our creative TV production sector.

Question 2: Do you agree with our proposals for a clear accountability framework? p 39

31. Ofcom argues that the current regulatory framework within which the PSBs operate is 'declining' and concludes that "*Whatever the overall scale and scope of a future system, we think that there would be*

⁴ Pact Census 2020. O&O/Pact August 2020 – Nations & Regions Annex

⁵ Media Nations: UK 2019. Ofcom, Aug 2019 p36

⁶ [Goldbart, Max. BBC to get to set own quotas. Broadcast, 23 February 2021](#)

audience benefits in establishing a more ‘service neutral’ approach to PSM delivery and regulation”, and that “a combination of qualitative outcome focused requirements and some quotas may be most effective ... underpinned with robust and transparent accountability measures.”

Ofcom therefore proposes the following (p39):

- a) *PSM providers should be required to set out their plans for delivering PSM publicly, agree appropriate and clear metrics, and report on the outcomes they achieve*
- b) *Ofcom would monitor delivery and hold the PSM providers to account, with powers to step in and set specific requirements as necessary*

32. We agree that it is crucial that PSM providers set out plans which are clear and have measurable objectives. TAC’s opinion is that the current BBC annual plan is heavy on generic text and relatively light on clear and measurable achievements and spending levels in the nations and regions, and this format is not sufficiently measurable and robust for the requirements of the proposed plans above.
33. Having a PSM remit is particularly important for ensuring the continuation of original UK-made content in some very important genres, for example, children’s, education, arts and religion. In addition, there is its overall role holding the nation together in a non-purely commercial way. This was taken for granted during the Covid-19 pandemic, but it’s important to consider how the UK PSM reacted by commissioning specific programming which may not have great commercial value, but was vital to help the nations to come to terms with the pandemic and its resulting restrictions on normal life.
34. A service such as S4C clearly addresses market failure. It is simply not possible to maintain a culturally important service such as this in a purely commercial environment, due its need to provide high-quality programming to a smaller audience base (notwithstanding that this audience is growing further to reach Welsh speakers outside Wales and non-Welsh speakers).
35. The BBC is aware of the challenges it faces in the context of the financial landscape of the SVoD giants. It also faces increasing pressures due to technology and consumption trends, particularly among younger viewers. The BBC’s reported decision to focus less on niche genres such as documentaries⁷ can seem in direct contradiction to its ‘market failure’ purpose, but on another level, it does continue to provide crucial seed investment to companies which can then afford to research and develop programming which is not necessarily the most commercially targeted. BBC Wales in particular looked to work with smaller companies during lockdown, commissioning content to look at the effects of the pandemic and how people were adapting in Wales. These are very important and unique services which are not replicable in a purely commercial media environment.
36. That remit is clearer when viewed in the context of the publisher-broadcaster model of Channel 4 and S4C. Both these PSM providers have a remit to commission their content from the independent production sector, leading to a significant growth in the number and scale of production companies in the last few decades. This wide producer base has been of great benefit in providing such a wide range of ideas, talent, locations and perspectives. It was a benefit which S4C was able to use in 2020 to create new commissioning rounds quickly, giving producers important work and providing audiences with relevant new content.

⁷ [Goldbart, Tim Davie puts niche docs in the firing line. *Broadcast*, 4 February 2021](#). Accessed 6 March 2021

37. In terms of measuring PSBs' success, there needs to be a move beyond the measurements of BARB. Overnights and viewing figures collated through BARB are not sufficient or accurate enough to measure impact in terms of the value to strengthening the Welsh language or the depth of impact on those who view the content. Shifting patterns in content consumption are already leading to a new way of looking at viewing patterns which are not so reliant on overnight figures.⁸ In addition, the measurement of success needs to be more about quality and differentiation of content than about sheer quantity of viewers.

Question 3: What do you think should be included in the PSM 'offer'? p 43

Question 4: What options do you think we should consider on the terms of PSM availability? p 43

38. It is vital to maintain the impact of PSB and promote and maximise the value they bring in terms of UK-originated content across a range of genres such as children's, education, arts, religion and news, which would not exist without protection. S4C is second only to the BBC in terms of its commitment to commission children's content. The production community in Wales excels at producing content aimed at underserved audiences too – for example religion, cultural events and arts.

39. Media distribution platforms are able to monetise the content shown via their services, and in return, there should be acceptance of some obligations. Given the level of public support and investment in PSM and its social and cultural importance in providing a range of content to under-served audiences, a 'must carry' principle should be deployed across as many platforms and on as many smart devices as possible.

40. Where such an obligation is not possible, and where technology companies have a concern about the encroachment of further regulation, the PSM need to work with them in a collaborative way to come up with an answer together. This conversion must include all PSM, including S4C.

Question 5: What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches? p 52

41. This is a fundamental question that affects all PSMs whether or not they receive public funding. Clearly, the future of the TV Licence Fee (TVLF) is one which will be considered at the time of its next Charter renewal process, but the fall in actual revenue, due to such aspects as having to take on provision of some TV Licences for the over-75s, means that the BBC is already having to adjust to a substantially lower real-terms income.

42. S4C's status as a PSB is precisely down to its fundamental task of addressing market failure. To attempt to provide such a service commercially would be unsustainable because of its share of audience and the niche public service nature of some of its content. While S4C is commissioning some content that does well internationally it still needs to commission content that might feel more local and unique to its people and culture which is more difficult to sell on the international market. This kind of content needs to be produced and protected. This is what gives S4C its USP. Public funding of some kind is therefore going to continue to be essential.

⁸ [Price, Stephen. TV enters a new era of online viewing. Broadcast, 26 February 2021.](#) Accessed 1 March 2021.

43. We welcome that Ofcom recognises that the commercial PSBs' advertising revenues are subject to the effects of economic cycles and short-term shocks, such as the fall in advertising during the Covid-19 pandemic. Overall there is the longer-term issue as TV audiences fall and advertising revenue falls in tandem. Advertising online continues to become more of an attractive proposition to marketing departments due to lower levels of regulation and cost. It's notable that Channel 4's Future4 strategy, announced last November 2020, aims to "drive towards two clear objectives over the next five years: to double the viewing to All 4 and to deliver 30% of total revenues from digital advertising and 10% from non-advertising".⁹
44. The Ofcom-commissioned report from EY looks at international views on PSB/PSM funding, pointing to examples such as:
- Industry levies on telecoms companies, which are used in both France and Spain
 - In Italy, the licence fee has been collected alongside electricity bills since 2016, a change which has seen evasion rates fall from 30% to 6%, and which subsequently enabled a reduction in the licence fee
 - In Germany, Sweden, Denmark and Finland, TV-ownership based licence fees have been replaced with variants of a tax-based approach. EY concluded that while this might be more future-proof and progressive, the downside is a greater risk of political interference. Therefore "*Robust measures need to be in place to protect the independence of PSBs and to prevent the funding being influenced by short-term political considerations each year or when it is renewed.*"
45. We note that the EY report also states that: "*Although the UK ranks broadly in the middle of the countries considered in our analysis in terms of public funding for PSBs per head of population, the UK PSBs' content is recognised globally for being among the best in the world in terms of quality.*"
46. Of the various international models offered above, we believe all appear to have strengths, although we particularly note the need to be protected against political interference.
47. In terms of considering subscription models, we agree with Ofcom's statement that "any move towards greater use of subscription for the existing PSBs would need to be balanced with the need to preserve the fundamental PSM principle of universality." The importance of universality as a core attribute of PSM has been demonstrated during the coronavirus pandemic as content was created to help the whole UK population adjust to new ways of living and working. It was very important that this content was freely available to all on recognised and trusted platforms, especially given the level of misinformation around the impact of the virus and how to combat it.
48. In terms of the possibility of the BBC switching to subscription, we note that the analysis by Mediatique estimates that in a best case, most credible scenario, 75% household take-up of a monthly £10 subscription would raise revenue of £2.07bn. As Mediatique states, this would represent a shortfall of £1.62bn against licence fee revenues raised in 2019.

⁹ <https://www.channel4.com/press/news/channel-4-sets-out-path-digital-future-new-strategy-future4>. Accessed 5 March 2021

49. Furthermore, as the report states, technical and operational issues mean that in the short term, a subscription model cannot be offered over the Freeview platform. This also applies to radio, where it is not possible to offer analogue or DAB services via a subscription model.
50. Ofcom avoids drawing any conclusions in this area, stating that: “As we have set out above, the BBC licence fee [sic] is a matter for Government and Parliament.” TAC would argue that Ofcom does legitimately have a role to play in recommending the necessary level of public investment in a UK PSM system that is sufficient to continue providing the right level of UK-originated content. We would also point out that the TVLF is not used solely for the purpose of funding the BBC, and therefore should not be referred to as the ‘BBC licence fee’. Given the importance we attach to the continuation of funding for S4C and the contestable content funds, this is an important distinction that Ofcom should to make at all times.
51. Continuing to provide a significant level of support for PSM is crucial to ensuring the success of the production sector, both culturally and economically. This investment creates revenue gained from exports and it also results in inward investment by companies including the SVoD themselves. An example of this is the statement by Netflix at a recent DCMS Select Committee hearing:
- “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.”
52. One aspect which is key to the success of any PSB system is the maintaining of universality. One of the core functions of PSB in the UK is to provide a wide range of compelling content that allows people in our society to learn about each other, enjoy our similarities and understand our differences. To do so effectively relies on it being universally available. All PSB services are currently free at the point of use. The introduction of any kind of any kind of voluntary payment to replace the TVLF immediately discriminates against those with the least ability to pay, and could prevent them from accessing the content.
53. It should also be noted that every UK citizen contributes to the PSB network, not only through payment of the TV Licence Fee, but also through general taxation, which in effect supports the other benefits enjoyed by the PSB network such as free spectrum. 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.
54. 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*, produced following a lengthy inquiry which concluded in November 2019, which states 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.”¹⁰
55. As S4C is also a recipient of TVLF funding, we are glad that the UK government has arranged the process so that S4C is negotiating its own share of the TVLF separately from the BBC. A key factor in the outcome

¹⁰ Public Service Broadcasting: As Vital As Ever. House of Lords Digital & Communications Committee. 1st Report of Session 2019, Nov 2019, p52, para 201

of that settlement is S4C's enhanced remit to be a Welsh-language public service content provider, agreed by the Government following the Independent Review of 2018, means it needs greater resource to provide content across a wider range of platforms. Additional finance is needed to achieve this objective, to enable S4C to reach all audiences and play a vital role in achieving the Welsh Government's target of one million Welsh speakers by 2050.

Question 6: What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven't identified? p 54

56. The Mediatique report suggests various ways in which the PSBs might achieve greater collaboration. These could include:
 - Sharing and pooling data on audience behaviours, gained from the PSBs' own media players and existing partnership, e.g. Freesat, Freeview and YouView
 - Making all PSB content available via a single combined player, distributed widely
 - Joint bidding, e.g. for sports rights
 - Strategic partnership and co-commissions with "new partners in the production sector" (an example given being the Royal Shakespeare Company)
57. We believe all of these solutions potentially have merit, and that if the UK PSM providers are going to collaborate, that will give them potentially greater combined market power.
58. It will therefore be more important than ever to ensure that legislation protecting production companies' IP remains robust, and that any permitted collaborations are sense-checked against potentially negative impacts on the UK's vibrant production sector.
59. Any prospective changes to regulation to allow these options would need to be fully consulted on.

Question 7: What are your views on the opportunities for new providers of PSM? p 60

60. The Ofcom consultation points towards other possible sources of PSM and how government could assist it. We take a look at some of these below.

Additional creative sector tax reliefs

61. TAC would certainly support use of additional tax reliefs. We have previously submitted to UK Government a proposal for a TV drama tax relief specifically targeted at productions made in minority indigenous UK languages.
62. TAC drama producers are concerned that sustaining the production of high-quality drama will be very difficult at the current levels of drama budgets, typically in the £200,000-£250,000 per hour bracket. We therefore propose an amendment in the proposed legislation which allows for a lower threshold for productions made in indigenous languages. Co-producing with the BBC on series such as *Un Bore Mercher / Keeping Faith*, *Craith / Hidden* and *Y Gwyll / Hinterland* has been a way to show S4C content to a wider audience via iPlayer, and levels of international sales have also been high.

Use of contestable funds

63. The Government's recent contestable fund pilot schemes have proved to be a good way to find new ways of targeting support. The Young Audiences Content Fund and Audio Content Fund are providing specific finance for UK-produced content for younger TV audiences and commercial and community radio audiences respectively. Production companies in Wales have succeeded in gaining 29% of the YACF available, bringing in finance for children's programmes which otherwise would have been unlikely to come to Wales via the other UK PSBs. TAC hopes that the funds will become a permanent source of additional targeted funding.

Levy schemes to fund domestic production

64. We believe that given the profits made from distributing PSB content are of benefits to the SVODs. SVODs actually use the commercial PSB networks to gain audiences, by advertising their content on them. Therefore, the idea of introducing a levy on the SVODs, as for example contained in the EU AVMS Directive, is worth considering. The downside could be a reduction in investment in UK programming by those services and therefore it would need a full impact assessment made before Ofcom considered recommending it to Government.