

**Scottish Parliament: Education and Culture Committee
BBC Charter Renewal: Call for Views**

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Matchlight is a Glasgow owned and operated television production company.

Formed in 2009 Matchlight supplies programmes to the BBC, Channel4, BBC Alba and Channel 5. Matchlight produces a diverse mix of observational documentaries, arts and history films as well as current affairs and lightly formatted features. Public service broadcasting is at the heart of our output and while the majority of that output is screened first in the UK we enjoy healthy sales across the globe.

Matchlight has an average annual turnover of £1.7million and employs around 20 people at any given time, with over half of these jobs based in or around Glasgow.

Recent/current BBC programmes and series made by Matchlight include:

1. Darcey Bussell/Margot Fonteyn, BBC One, 2016
2. Mozart in London, BBC Four, 2016
3. Cluinneam!/Suddenly I Hear You!, BBC Alba, Jan 2016
4. Ted Hughes: Stronger than Death, BBC Two, Oct 2015
5. Transplant Tales, BBC Scotland/BBC One, Jun 2015
(BAFTA Scotland Nominated)
6. Joan Of Arc: God's Holy Warrior, BBC Two, May 2015
7. Suffragettes Forever! The Story Of Women & Power, BBC Two, March, 2015
8. Darcey Bussell's Looking for Audrey Hepburn, BBC One, Dec 2014
9. Russell Brand: End the Drugs War, BBC Three, Dec 2014
10. Viva Variety, BBC Scotland, November 2014 (BAFTA Scotland Nominated)

1. Scale and Scope of the BBC

How Should the Charter reflect the BBC's priorities and output in Scotland?

As a first principle the BBC in Scotland should be part of a federal system, accountable to its own unitary Scottish board (who are in turn represented within the UK wide BBC board pro-rata to share of population) which is in turn accountable to the Scottish Parliament, with all appropriate safeguards for its editorial independence that currently apply vis a vis Westminster applied to Holyrood.

Further, and with specific reference to Network TV origination, it is vital that the current voluntary BBC Network nations output quotas (17% from Scotland/Wales/Northern Ireland – 9% from Scotland) be maintained and enshrined within the BBC's Charter to ensure they are best protected for the future. This ensures Scotland's share of the BBC network both economically and creatively and prevents a return to the position Scotland found itself in prior to the 2008 Scottish Broadcasting Commission when as little as 3% of BBC TV network output (by volume and value) was derived from Scotland.

Given the BBC Trust's fair trading requirements the BBC should also be required to guarantee that all of the commissions it sets against this Nations quota unequivocally meet Ofcom's requirements for a Scottish production and work in support of the quota's aims – an

equitable share of BBC spend and the fostering of a sustainable BBC network supply base from Scotland.

We would also support an increase the commissioning budgets available to BBC Alba. BBC Alba has played a significant role in expanding the domestic production market in Scotland and has worked strategically and collaboratively to improve the diversity of the Scottish TV production supply base. Because its budget for original output is constrained BBC Alba currently has a repeat rate of 73%, which BBC Alba itself believes is unsustainable for audiences. Enabling an increase in originations from 1.95 hours to 3 hours per day, through increased investment, would enable BBC Alba to maintain its success, arrest audience fatigue, address currently under-served segments and fulfil its potential in relation to the growth of Scotland's creative capital.

Should in-house production quotas and Terms of Trade allow greater competition and what impact could this have on the Scottish broadcasting industry?

Matchlight shares PACT's and BBC Alba's (as detailed in BBC Alba's submission to the recent Ofcom review of the TV production sector) concerns about the potential detrimental impact of the BBC Studios proposal.

We agree with PACT that the BBC Trust should maintain a 25% in-house guarantee and 25% indie quota but enlarging the Window of Creative Competition ('WOCC') to 50% but would add that without protecting the Nations' network output quotas (as set out above) by enshrining the quota within the new Charter and altering the method used by Ofcom/the BBC to determine "Scottish" output (as detailed below) the arrival of BBC Studios will only exacerbate the imbalance in commissioning between the BBC and BBC Productions/Studios and London/Scotland. Even if the in-house guarantee and WOCC were abolished the 25% independent guarantee should be maintained to ensure diversity of supply and encourage new entrants to the market – which is in the interests of audiences across the UK.

BBC Alba's submission to the recent Ofcom review correctly framed the danger posed by BBC Studios to Scottish production as follows:

"Our contention is, however, that without recalibrating the Nations'/Out-of-London quota system to ensure a more level playing field across the UK, the BBC Studios proposal risks further distorting the market. There is not currently a level playing field, and without that, we observe that the BBC Studios proposal could hasten the decline of the Scottish production sector.

The indigenous Scottish sector does not have enough volume or scale currently to be able to compete effectively in the more open market place that would be created, therefore the proposal risks exacerbating existing weaknesses, and creating a two-tier production system. This would widen the gap between the indigenous Scottish sector and the rest of the UK, both in economic terms and in terms of portrayal/representation.

The BBC Studios proposal risks tipping the axis of relationships further in favour of London, to the detriment of the Scottish sector, an issue already identified in previous research of the Scottish sector (Ekos, 2013) ...

Finally, the emergence in Scotland of a 'BBC Studios Scotland' would immediately create a strong competitor in the already fragile dynamic of the Scottish domestic marketplace."

Maintenance of the Terms of Trade is also vital to the continued health of the independent production sector across the UK. Please keep in mind that the BBC already has almost unlimited flexibility in the Terms of Trade it can apply to Non-Qualifying Independents (who already deliver almost 25% of BBC network output). The Terms of Trade exist to help ensure diversity of supply and should be retained to support and reward the efforts of truly independent production companies across the UK who supply so many of the shows most appreciated by UK audiences.

Is the BBC's online presence damaging local and regional news outlets in Scotland? What could be done to ensure the BBC works more co-operatively with the local and regional news sector?

No comments.

2. Serving the interests of the Scottish audience

How well is the BBC serving the Scottish audience (English and Gaelic speaking) and representing Scottish issues to the wider UK audience?

Anecdotally we feel that it is increasingly difficult to sell Scottish subjects to the BBC's network commissioners, perhaps on the basis that these subjects more often fall to local commissioning. We would like to see more "Nation to Network" commissions but suspect this issue will only be resolved if more network commissioning budget is ceded to Scotland or network commissioners are relocated to Scotland. A federal BBC would also address this concern.

Could Scotland receive a fairer share of BBC spending?

Working within the current quotas, how the BBC commissions its output is entirely in the gift of the BBC. The Corporation alone decides how its network and local output requirements are fulfilled. The commissioning practices the BBC adopts decide which programmes are made, where they are made, who they are made by and how they are funded.

In 2008 the BBC voluntarily adopted a "Nations" quota. This quota requires the BBC to commission around 8.6% of its network output from Scotland, 17% overall from the UK Nations (Scotland, Wales and Northern Ireland). The purpose behind this quota is two-fold – 1) it broadly ensures an equitable distribution of BBC spend across the UK; and 2) it was meant to foster the growth of a stable Scottish (Nations') supply base for the Corporation.

Since 2008 the BBC has deliberately worked with non-Scottish production companies of scale – many of whom are Non Qualifying Independents ('NQIs') – to undermine and frustrate the purposes of the Scottish quota on an industrial scale.

PACT's recent report "Building a Sustainable Independent Production Sector in Scotland" notes that 53% of all of the BBC's network commissioned hours derived from NQIs were produced in Scotland. This figure illustrates just how fundamentally the BBC has altered its commissioning practice to meet its network quota target and continue patterns of London to London commissioning.

The PACT figure for NQI supplied hours from Scotland equates to circa 10% of all BBC network TV hours (as NQI's win the majority of WOCC commissions, which comprise 25% of all network origination spend). Scotland has only one resident NQI, STV Productions. While STV Productions has become a successful supplier of content to the BBC (particularly BBC Daytime) its output cannot account for the 53% figure quoted by PACT or around 10% of all BBC network hours.

The rest is supplied by the NQI branch offices that have been established or significantly enlarged since the Nations' quota was adopted by the BBC – companies that include 12 Yard, Shed, Lion TV, Mentorn, Victory, IMG and ITV Studios.

Ofcom's "Made Outside London" Register for 2014 notes that these non-Scottish head-quartered production companies produce more than 60% of the programme hours recognized by the BBC as "Scottish" and set against the current Scottish quota. This tactic, widely referred to as "Lift & Shift", enables the BBC to continue "London to London" commissioning practices while meeting its Nations quota targets. PACT's 2015 report, Building a Sustainable Independent Production Sector in Scotland, notes that it is these non-Scottish head-quartered companies who have been "the primary beneficiaries of recent growth in network spend [from Scotland]."

While "Lift & Shift" projects bring lower value production work to Scotland most higher value senior roles are retained in London and all profits and intellectual property rights in displaced Lift & Shift projects flow to London rather than Scotland. This funds the development of new ideas in London but not in Scotland. Further perpetuating the London to London commissioning cycle.

Without adding 1p to the BBC's network content budgets the Corporation could add between £30million and £50million to Scotland's creative economy simply by moving away from Lift & Shift, altering its commissioning practices and promoting instead sustainable growth from within Scotland by commissioning Scottish head-quartered production companies to satisfy the Corporation's Scottish quota – in other words, by satisfying its existing Scottish quota from Scotland. That it does not already satisfy its Scottish quota from Scotland, seven years after that quota was adopted, speaks volumes about the current BBC's attitude to Scotland and underlines the need for a federal BBC going forward.

Further, the additional Gross Value Added to the wider Scottish economy would be considerable as those occupying higher value roles would establish their careers here.

This change could be supported in three, low or no-cost, ways:

1. Enshrining the currently voluntary Nations quota in the BBC's new Charter;
2. Refinement and strict application of the current Ofcom guidance on what constitutes a "Scottish" production (potentially with Scottish Parliament oversight); and
3. The adoption by the BBC of commissioning practices that rebalance its current spend away from Lift and Shift and focus instead upon the origination of new projects from Scottish suppliers – thereby providing a stable platform for growth, enabling Scottish producers to plan, invest and develop skills and new IP in a sustainable way.

There is another reason why re-balancing BBC commissioning away from "Lift & Shift" and towards Scottish based production businesses is important when considering whether or not Scotland currently receives its fair share of BBC spend. Put simply, a Lift

& Shift producer need spend as little as 5% of a production's total budget in Scotland for 100% of that budget to be counted as Scottish and set against the Nations' quota – in other words, much of what currently is counted by the BBC as “Scottish” spend is actually spent elsewhere in the UK.

How this works is a little complicated but its worth the Education and Culture Committee's attention. I think this is best achieved via an illustration:

“Project A” is a (fictional) quiz show pitched by London based independent producer, NQI Productions. The BBC like it and want to commission Project A for an initial run of 20 episodes. The series has a budget of £1,000,000 and NQI Productions want to make it in Bristol, with their specialist quiz show production team based there.

The BBC has spent its non-Nations budget for quiz shows in the current year but still has money left in its “Scottish” quota pot – so it could still commission Project X if it was made in Scotland. Are NQI Productions happy to move the production to Scotland? They are and NQI Productions opens a wholly owned subsidiary in Glasgow to produce Project X, NQI (Scotland) Limited.

The Ofcom rules require that before a production can count as “Scottish” output it must satisfy at least two parts of this three part test:

1. the production company must have a substantive base outside of the M25 [and in Scotland for Scottish output]; and either
2. 70% of the production budget (excluding on-screen talent and archive) must be spent in the UK, outside of the M25; or
3. 50% of the production talent (those people making the show who don't appear on screen) budget must normally work or live outside of the M25.

NQI (Scotland) Ltd. hires a production manager in Glasgow and temporarily relocates an executive producer to Glasgow for the duration of production on Project A. The BBC agrees that this means the “substantive base” test is met.

Where a qualifying production comes from a producer with a substantive base outside the M25, but does not meet fully meet the 70% or 50% spend targets set out in the Ofcom test in any one UK nation or macro-region, the Ofcom rules provide that the production's deemed location will be the location of its substantive base provided at least 10% of either of the 70% or 50% spend targets is spent in that location.

Thanks to NQI Production's new Scottish office they can satisfy the Ofcom test for a Scottish production and carry on using the production team in Bristol (as Bristol is outside of the M25) provided at least 10% of the 50% of the production talent spend outside of the M25 is spent in Scotland.

Project A has a budget of £1,000,000 and because the BBC now count it as passing the Ofcom test for “Scottish” output 100% of this budget counts as Scottish spend and is set against the BBC's Scottish network quota. But the production budget actually breaks down as follows (broadly, this is a simple illustrative example):

- Cost of Production (excluding production talent spent) - £400,000 (spent in Bristol for preproduction, Bristol + London for production and postproduction);
- Cost of Production Talent - £400,000 (£50,000 in Scotland, £350,000 in Bristol);

- NQI Production's profit on production + overhead recovery - £200,000 (recovered by NQI Production's in London).

As NQI Productions is relying on Parts 1 (Substantive Base) and 3 (50% of Production Talent Spend) of the Ofcom test the actual value to the Scottish economy of this £1,000,000 of "Scottish" spend is only £50,000 – yet this production reduces the BBC's Scottish quota pot by £1,000,000 and the BBC can count the full £1,000,000 as Scottish spend.

All profits from Project A flow back to the London based parent company which retains the ownership of the quiz format and can exploit this IP in the international market. All senior corporate roles in NQI Productions (and the GVA they add to their local economy) are based in London.

Whether or not this is in the interests of Scotland, the Scottish creative economy or in the spirit of the BBC's current Scottish quota is for the Education and Culture Committee to decide but from all of the above we hope you agree that despite the current quota Scotland could receive a fairer share of BBC spending. As stated above, this could be achieved in three simple, cost neutral, steps:

1. Enshrine the Nations quota in the BBC's new Charter;
2. Refine and then strictly apply Ofcom's guidance on what constitutes a "Scottish" production (potentially with Scottish Parliament oversight); and
3. The adoption by the BBC of commissioning practices that foster and encourage the origination of new projects from Scottish head-quartered suppliers – thereby providing a stable platform for growth, enabling Scottish producers to plan, invest and develop skills and new IP in a sustainable way and creating many new jobs in Scotland.

Above all, given that the BBC's current corporate structure worked so hard to subvert the current quotas a federal BBC, with a unitary board directly accountable to the Scottish Parliament, would be the best way to ensure that whatever happens in the future Scotland's share of BBC spending is fair.

How well does the BBC support distinctive Scottish content and could it do more in this regard?

If the BBC focused commissioning on ideas devised, developed and produced in Scotland – rather than those displaced to Scotland via Lift & Shift – it could do a great deal to support distinctive Scottish content and to ensure the representation of Scotland's diverse cultures across the UK. Scottish producers will bring their understanding of Scotland, its talent and resources to bear in any production they are commissioned to make in a way that non-Scottish based producers simply can't.

How could the BBC enhance support and development of talent and skills in Scotland?

Talents and skills are best developed and enhanced through working on productions made to the high standards expected by the BBC (and the other public service broadcasters). If the steps recommended above to increase the volume of production in Scotland (see answer to ***Could Scotland receive a fairer share of BBC spending?***) then new jobs in a range of genres and at all levels of a production business would become available in Scotland. This applies to "backroom" roles like accountancy,

business affairs, HR and administration just as much as it does to “front of house” roles in TV production.

3. Governance Arrangements

How could BBC governance be improved to enhance the Scottish voice?

Given that the BBC in London is the author of the current settlement for Scotland – working to subvert the current Scottish network quota and maintain a pattern of London to London commissioning wherever possible – the BBC in Scotland should be part of a federal system, accountable to its own unitary Scottish board (who are in turn represented in the UK wide BBC board pro-rata to share of population) and accountable to the Scottish Parliament, with all appropriate safeguards for its editorial independence that currently apply vis a vis Westminster applied to Holyrood.

4. Cost Savings

What would be the impact of any further cuts to BBC spending in Scotland?

Given the fragility of the indigenous Scottish production sector and the BBC’s demonstrable preference for London to London commissioning any further cuts to BBC spending in Scotland would have a deep and potentially permanent impact – with network TV production from Scotland for the BBC likely to be affected first and most deeply.

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