



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Relations Committee

Thursday 22 March 2018

Session 5



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Thursday 22 March 2018

CONTENTS

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SCREEN SECTOR 1

CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE
8th Meeting 2018, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

COMMITTEE MEMBERS

*Claire Baker (Mid Scotland and Fife) (Lab)

Jackson Carlaw (Eastwood) (Con)

Mairi Gougeon (Angus North and Mearns) (SNP)

*Ross Greer (West Scotland) (Green)

*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)

*Richard Lochhead (Moray) (SNP)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Donald Campbell (MG Alba)

Steve Carson (BBC Scotland)

Bobby Hain (STV)

Sophie Jones (Channel 4)

Bruce Malcolm (BBC Scotland)

Lorraine McKechnie (Channel 4)

David Smith (Producers Alliance for Cinema and Television)

David Strachan (Tern Television Productions)

CLERK TO THE COMMITTEE

Katy Orr

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Culture, Tourism, Europe and External Relations Committee

Thursday 22 March 2018

[The Convener opened the meeting at 09:06]

Screen Sector

The Convener (Joan McAlpine): Good morning, and welcome to the eighth meeting in 2018 of the Culture, Tourism, Europe and External Relations Committee. I remind members and members of the public to turn off mobile phones. Any members who are using electronic devices to access committee papers should ensure that they are turned to silent. We have received apologies from Mairi Gougeon MSP and Jackson Carlaw MSP.

The first item of business is our third evidence session in our inquiry into Scotland's screen sector. We will focus today on commissioning. I welcome the witnesses: David Smith is the national representative for Scotland in the Producers Alliance for Cinema and Television; Donald Campbell is the chief executive of MG Alba; and David Strachan is the managing director of Tern Television Productions. I invite David Smith to make an opening statement.

David Smith (Producers Alliance for Cinema and Television): I thank the committee again for paying attention to this subject, looking into it in such detail and inviting us all here today. As I understand it, we are here to talk about the quotas and commissioning across the United Kingdom, locally and at network level. It is worth going over some points that we have raised in meetings previously, and talking about the nature of commissioning. In the past few years there have been great improvements, led in part by the committee's work, but also by the Scottish Government at national level. The emergence of MG Alba and BBC Alba was the first step in making our domestic market stronger. The new BBC Scotland channel is another step in that direction. Ofcom is about to review representation within British television and then out of London and the rules that apply to out of London, and I cannot overemphasise how essential that review will be in setting the weather for the next few years.

When the rules first came into play, in about 2009, the BBC undertook a network supply review. That meant that a lot of the opportunity that was apparently present through the quota was met through the lift-and-shift process; large projects

that consumed multiple hours—and, in some cases, high value—were moved to Scotland and the other nations and regions to absorb quota. That was meant to be a short-term tactic to build jobs at a certain level in production, but it became overrelied upon. I think that there is acceptance now across the board, from the broadcasters and the authorities, that we need to move on from that, and we are moving on from it. The rules that Ofcom puts in place for the next 10 years will help to determine the outcomes that we seek; that is the point that we need to focus on.

We know what the outcomes were last time. We need to think about the outcomes that we will seek this time and work from that to develop a process that will deliver them. For me, if you want to set something against the Scottish quota, look to Scotland for it. If you want to commission from a Welsh quota, look to Wales for it. Do not commission London to London and displace elements of production to the nations and regions. That is important for various reasons, one of which is intellectual property and the value of intellectual property; again, that cannot be overemphasised.

If we own the IP, we are in the driving seat. It is the idea that the commissioner wants; it is the idea that the broadcaster seeks. That will always be the fundamental first step. If the ideas are not up to scratch, the quota does not necessarily mean anything. That is why projects get lifted and shifted around the UK. As a nation, we have to improve our IP development. We have to improve our ideas on television. Having a stronger domestic market encourages that and makes it more likely and possible, but we have to work to a system that delivers nations' and regions' quotas from the nations and regions on the basis of the strength of ideas and our companies.

The Convener: Thank you. As you have said, there was a lot of criticism of the current and previous system. The screen sector leadership group, which is what our inquiry is based upon, said that 10 per cent of a production budget can be spent in Scotland with 100 per cent being set against the quota. You said that things are improving and that you hope that the Ofcom review will make a big difference. What does Ofcom have to do? What would you like to see Ofcom putting in place, as a result of its review, that would change the system?

David Smith: I should say that the situation is improving, but that it remains very mixed. I was doing a review of the out-of-London register that Ofcom published for 2016; its new register for 2017 is not out yet. I was looking at the main projects that Channel 4 had commissioned from Scotland. As we have discussed with the committee before, there is a spectrum of behaviour—there are things that are clearly

authentically and wholly owned and operated from Scotland; there are things that have a minimal footprint in Scotland; and there are things that sit in the middle.

“Fifteen to One”, for example, is a project that sits in the middle of that spectrum. It has delivered good, high-value jobs to Scotland; it has helped to build upon our expertise in quiz; it has occupied studios; and it has started careers on the quiz or game show ladder. By my estimate, it accounts for about 20 per cent of Channel 4 spend in Scotland. The show is made by Remedy Productions, which is not owned and operated in Scotland. The profits and the development all return to London. That is in the middle of the spectrum.

Looking at the rest of the Channel 4 spend, there are two other projects to which I draw your attention. One of those projects is “Eden”; that was made by KEO North, which closed its Glasgow office midway through the production. That was not a happy production. It did not necessarily go very well. I think that it was originally commissioned as a 12-part series; I could be wrong, but I think that four parts were transmitted in the end. By most estimates, that accounted for around £10 million-worth of Channel 4 spend in Scotland over 2016 and 2017. The second project is a comedy programme called “Man Down”, which was made by Avalon Television with Greg Davies. Again, the company has a minimal footprint in Scotland; there seems to be an office in Glasgow that houses a development executive, who is not actually credited in the series. We do not know how much was spent on each of those projects, but we can estimate the cost based on our knowledge of what things cost and what the channels are likely to spend. Between “Fifteen to One”, “Eden” and “Man Down”, I suspect that we are looking at close to 50 per cent of Channel 4’s claimed spend in Scotland.

I am not sure that that is the outcome we seek, so we have to ask Ofcom to look again at the rules. As you know, currently there is a three-part test. The company has to meet a substantive base and/or 70 per cent of its production spend, with various exclusions against that, and/or 50 per cent of its talent spend, excluding on-screen talent. I think that what is and is not substantive base needs to be looked at very carefully. At the moment, it seems to be taken to mean anything from where a production executive or a production manager sits to a development executive. I would think that you need to look at where the company’s chief executive officer and chief operating officers are based and where they pay tax. The determining factor should be where those key, high-value roles pay tax. If they are based in Scotland, that is a clear indication that the company is Scottish.

The next test is around the levels of spend. “Man Down” does not claim to have spent 70 per cent of its budget in Scotland, or outside London. As little as 10 per cent of the budget can be spent in Scotland provided that there is an out-of-London footprint that meets the full figure. On a project such as that, it does not seem to serve any great purpose. That is not an outcome that we would seek on any level. At the same time, an element of flexibility is required within the system because, as Scottish producers, we want to be able to make programmes across the UK and internationally; there has to be a bit of give and take. There may be a question of pro rata attribution of spend. If the channel wishes to set a project such as “Man Down” against the Scottish quota, how much does that impact on the Scottish economy? The actual spend should be set against the Scottish quota, not the full value for the project.

09:15

The Convener: Would the other witnesses like to come in on that? What outcome would they like to see from the Ofcom review?

David Strachan (Tern Television Productions): It is difficult. We all know the end result that we want to achieve, but the issue is defining that end result and where the lines should be drawn. We have talked about snooker ad nauseam—we do not want to go into that again—but that argument fell over what constitutes “managed” and who was creating new opportunities for new production.

As an illustration, a game show might be lifted and shifted up to Scotland; it might run for a number of years and, as David Smith said, it might create some jobs in the genre. Most of the work goes to paying for the plant and the studios that the game show is recorded in; that is of great benefit to the BBC’s Pacific Quay, but only a handful of jobs are created in the production company. We can see what happens if a similar amount of money is spent on factual programmes, because, as a company, we are a parallel. At the moment, we have 50 jobs in the office and six of those jobs are about generating new and fresh ideas that represent the culture and people of Scotland.

Donald Campbell (MG Alba): I am not sure that I have too much to offer the committee on this question. Ofcom’s role in this is very important. However, it is equally important that the sector and the broadcasters have a strategy for growing the indigenous sector and that it is clear how that strategy will be prosecuted. Both of those things need to work in tandem and there is a lot of work to do there.

The Convener: Should Ofcom make agreements with the television companies on the minimum production spend?

David Smith: That could be possible, but I think that it is better to work on the volume and value quotas to see how they are addressed and delivered.

I should have said at the start that PACT has not come to a firm view on this. The out-of-London review has not yet been put into the public domain by Ofcom. We expected the review to be on this point, but we have not seen it yet. The opinions that I am putting forward today are essentially my opinions on what I will put forward in the PACT council. PACT may come to different conclusions as we go forward.

I think that it would be useful for Ofcom to think about the process for auditing and reviewing projects. At the moment, there does not seem to be a process for raising points about projects that are set against out-of-London quota, how they are then dealt with and what the outcome of that process is. We have raised two points over the last few years, one about the snooker and one about "Man Down". I am not sure that we have had an answer yet about "Man Down" and it is probably a year since we first raised that point. There should be a timely process for the addressing of complaints. A little bit of proactive auditing by Ofcom would not go amiss, along with a question about what the consequences are.

We are keen to ensure that money does not leave the system. If a broadcaster was fined for misapplication of a project against the quota, that would diminish its ability to make programmes in the following year because it would have less money to spend. Instead of being fined, they should be required to add back in the spend that was misapplied, so that the following year the spend would rise rather than fall. That would seem to be an equitable solution.

The Convener: Members have been provided with a copy of Ofcom's independent and regional production compliance form, which does not appear to ask for detailed information or evidence regarding the production team's usual place of residence or work. Is that the kind of thing that you are talking about in terms of the difficulty in ensuring that film-makers are complying with the current regulations?

David Smith: An element of spot checking is needed. A bit more detail should be required on that form—there should be an undertaking by the production company and the broadcaster that their response is legal, decent, honest and true, that it is authentic and that they have met the spirit as well as the letter of the rules. Ofcom should be able to check on that. Ofcom's system is reactive,

not proactive. If a complaint is raised, Ofcom investigates. Perhaps that has to change.

The Convener: We will move on to a question from Claire Baker.

Claire Baker (Mid Scotland and Fife) (Lab): I think that Rachel Hamilton was going to come in now.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): The convener has asked the question that I was going to ask, which is about minimum production spend, but I will develop the theme. I want to know about the impact that spending on production by public service broadcasters is having on independent producers. The Association of Film and Television Practitioners Scotland has said that factual television seems to be relatively healthy and there have been successes in children's drama, but you would be hard pushed to find a recent television drama made by an independent Scottish production company that was commissioned by the BBC or Channel 4. What impact is that having on independent producers and how can we encourage more of them to get involved?

David Strachan: David Smith and I are both factual producers, so we do not have expertise in drama. What we do know is that drama is a very hard one to win because there are relatively few dramas and they are relatively high spend, so the perennial problem of trust between the producer and the commissioning editor is magnified. It is hard enough for us in factual to persuade commissioning editors that we are not going to go and drink their money or make a mess of the programme, but it is much harder for people in drama. It is about building relationships and what are the steps that could be taken.

I can give you an illustration of steps that have been taken in factual programming to build those relationships. In the Ofcom advisory committee's submission to you, it talked about Firecrest Film's initial small grant from Channel 4 leading to an investment from Channel 4, which led to the 30 or 40 jobs that it now has and some well-established brands like "Supershoppers". That is the sort of progression that is needed. We had a similar experience with Channel 4 when it invested in development in order that we could increase our development team, which increased the volume of offers that we made to it and increased the dialogue that there was between us and the commissioners. Two years down the line, that has resulted in a substantial amount of commissioning. Those are the kind of baby steps that somehow need to be imagined in order to make things happen. They will not happen just like that.

Donald Campbell: I would add that one of the difficulties that commissioners face is balancing

short-term decisions against longer-term decisions that have sectoral impact and sectoral benefit. One thing that BBC Alba has done is to make a long-term agreement with Young Films Foundation on Skye to produce drama. It is a four-year agreement. That kind of agreement gives a measure of certainty to the company and it allows the company to plan, build up its talent base and work with agencies to develop training programmes and talent development programmes in line with the production. The amount of money that we can put at the disposal of the company is not as big as we would like, given budgetary constraints, but being able to make that longer-term commitment to particular projects is essential and it is not really something that is commonly seen in our sector, where audience trends are so variable.

People are worried that audiences can leave you very quickly and go somewhere else. That measure of trust between broadcaster, commissioner and producer is essential, so that you know, whatever happens to the audience, you might be able to flex direction, flex a storyline or even flex the brand as required. There is a balancing act to be achieved that our sector has probably not yet achieved.

David Smith: The broadcasters simply have not looked to Scotland to produce drama of network standard, although fairly often over the past 10 to 12 years that has shown signs of change. The BBC has commissioned two projects from Scotland: one from a non-qualified STV production, which I am sure Bobby Hain can mention when he is on the second panel, and another one from Claire Mundell, who is a member of PACT. She is currently filming in Australia, but it is a Scottish project, so there is a change in that area.

As David Strachan said, there are fewer dramas commissioned each year. The real estate, as we would describe it, within the schedule is limited. It tends to be dominated by half a dozen London-based companies that have very good, strong reputations in delivery and are therefore trusted by the broadcasters. Over the next five to 10 years, we need that trust to be established with Scottish-based drama producers and developers. I mentioned three Channel 4 projects in my first answer. I could equally have picked out “Jonathan Creek” as a famously Scottish BBC production. “Jonathan Creek” does not appear to me to have any more connection to Scotland than “Man Down”, yet it is set against the Scottish quota. At some point somebody will have said, “We want to recommission ‘Jonathan Creek’. Can you make it in Scotland?” That question is at the nub of the issue. We want commissioners to have conversations with people who are developing content in Scotland to be set against that quota.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, panel. I have a couple of questions regarding public and industry confidence in self-regulation. Do you consider that the broadcasters have a robust procedure for handling complaints about the suspected mislabelling of productions?

David Smith: It is fair to say that there are questions that may relate to the broadcaster or to Ofcom. I would imagine that the broadcasters do exactly what is asked of them by Ofcom at the moment.

David Strachan: It is a difficult one for broadcasters, because in the past they probably relied on the evidence that producers gave them.

Of course, there are in-house procedures at the BBC. I suspect that they will have to become more robust, because next month we will see the advent of the screen unit within Creative Scotland, with a substantial budget from the Scottish Government—and the Scottish Government does not hand out money like sweets. It is looking to that to be an investment. Given the cost of the separate tax system now, if that money drifts to places where tax is not being paid in Scotland, the return on that investment will not be seen, so there will have to be greater robustness.

Donald Campbell: I would say from a BBC Alba perspective that that kind of mislabelling is probably not an issue for us, because our sector is completely indigenous.

What is important for us is transparency in decision making. We try to be very transparent about the process and about successes and failures in the tendering process, so that the sector generally understands why things have not been successful, why a programme has not been recommissioned or whatever.

Stuart McMillan: Those answers were really interesting and lead on to this next question. Is the data that has been collected by the broadcasters adequate, particularly for projects and project teams that are outside of London?

David Strachan: There is a weakness in the system. If a London-based company spends 70 per cent of its production budget outside London and has people who are based outside London as 50 per cent of its production talent, it is counted as being in the outside London non-specific category. If it has a permanent base—the crucial thing is the definition of a permanent base—in Scotland and meets 70 per cent and 50 per cent criteria, it is counted as being Scottish. A very small proportion of that 70 per cent may be spent in Scotland, but if it is spent outside London, the home base trumps everything else and it will determine the location of the company. There is a weakness in the definition.

David Smith: The production and spend criteria presume that around 30 per cent of the production will be spent in London anyway, even if it is a nations and regions production. The 70 per cent excludes huge lines of budget within each project, so the amount actually impacting on the nations and regions economy falls.

When we as a producer deliver the information, there is no granularity in it. There is very little detail as to who fulfilled what role and where they are based. Asking producers to deliver that level of information is quite onerous. Programmers complete the forms that we deliver when we deliver a programme, and the requirement for background information is already quite onerous. To ask for more information would be asking quite a lot of producers, but I suspect that the benefit might outweigh the cost.

Stuart McMillan: The issue goes back to a point that was raised a few moments ago, about Ofcom being more of a reactive operation than a proactive one. Given what you just said, would it help if Ofcom had a different way of working?

David Smith: Absolutely. The broadcasters have to react to Ofcom's systems, so that would make a huge difference. That should be part of the review of made outside London guidance when it comes around. It will certainly be part of what I will be putting forward to the PACT council, and I hope that it will form part of PACT's view in its response.

David Strachan: We think that Ofcom is becoming more proactive. It has increased responsibilities since the charter review kicked in in the spring of last year. The number of staff it has in its Edinburgh office has increased, and I think that the dialogue that we are having with it helps it to understand what the issues are and helps it to identify and deal with weaknesses in its systems.

09:30

Stuart McMillan: What could broadcasters do to increase public and industry confidence in the internal processes for checking compliance with Ofcom's made outside London criteria?

David Smith: There are multiple things. The first one is to end the conversations that go, "I like it, but can you make it in Cardiff? Can you make it in Glasgow?" In the network supplier view, London to London commissioning decisions that displace elements of production have been a flaw in most of the commissioning that has taken place over the past 10 years.

I should add there is a lot of very good authentic commissioning. David Strachan mentioned Firecrest, and there is Raise the Roof and Tern's output for Channel 4. Channel 4 has done a lot of

really good proactive building of infrastructure and companies within Scotland.

The outliers undermine all of that good work. My question is: why do people think that it is necessary to focus on something that is questionable? I suspect that the new regime at Channel 4 will not rely on such commissioning decisions to the same extent. The situation is similar for the BBC, which has had big changes in its structure over the past few years. The new charter has a clear requirement that the BBC invests in the nations and regions creative economies, and that is starting to bear fruit.

Ofcom has moved substantial numbers of staff to Edinburgh and it now seems to understand the devolved nature of our system. It very much gets the point that the outside London rules are not working. It is looking at all of this; the question is how far it will go. It is important that whatever system it comes up with applies to all public service broadcasters at network level.

David Strachan: In the past couple of months, a producer in London approached us and said, "I have this commission. I am told it has to be made in Scotland. I have no connections with Scotland. Is there any way that you could help?". After we had done quite a lot of work on it, the producer came back and said, "We've found something else to shove up to Scotland. We are just going to do the first one in London now." That sort of conversation should not be happening in this day and age.

Stuart McMillan: I am a bit flummoxed by that particular example, when you consider that this Parliament has been here for nearly 20 years. Given devolution, you would imagine that people would understand how negative that type of discussion actually is.

David Strachan: It is a slow process, but the fact that there is a forum such as this where these things can be discussed, and the fact that democracy in Scotland is functioning much better than it used to, means that these things are not swept under the carpet.

Stuart McMillan: That leads on to another question. Mr Smith and Mr Strachan have spoken about the screen unit. What impact do you think it will have on the industry? How is it going to be measured?

David Smith: As David Strachan said, the fact that it will be putting money into productions gives it an audit power, which Northern Ireland Screen, for example, currently enjoys. Our discussions with Northern Ireland Screen have been quite clear: it derives great benefit in terms of data. It is very hard to hide things when you have a right of audit over a project.

Northern Ireland Screen has also been quite clear that, even when something very clearly lands within its current ambit, large chunks of spend will still not fall within Northern Ireland. I suspect that that is part of the necessary flexibility of it all.

The screen unit will have a right of audit and, we hope, a team that is familiar with how television works. Up until now Creative Scotland has had a very film-focused team. It has elements of drama expertise within television, but it has really been focused on film, because that is where its money has been targeted. National lottery funding is only applicable to film. Television is quite a different industry. It is funded in a different way and operates differently. I have been working in it since 2003 and I barely understand it. It takes time and it is a very nuanced process. There is no such thing as the BBC; there are lots of different BBCs, which is why you end up with different levels of behaviour. A commissioner is landed with the obligation to win ratings, but he or she is also landed with the obligation to spend money in Scotland. They make quite human decisions that may not be entirely within the spirit of some of the rules. It is about delivering that level of understanding throughout the screen unit.

Stuart McMillan: Auditing is—

The Convener: I am going to have to move on, Mr McMillan.

Claire Baker: You mentioned that the screen unit is perhaps not as focused on television as it could be or that there may not be evidence to suggest that that will be a focus. Have you had any discussions on that or been involved in how the screen unit is going to be formed? I do not know whether you saw the evidence that we took from stakeholders last week. Do you have any views on the screen unit?

David Strachan: It is early days. Two people with an understanding of television—I am one of them—have been appointed to the sub-board, which is going to run the unit. One thing that the screen leadership group said in relation to television was that we do not want money to be put into cookery shows or that sort of production. It is relevant to invest in production when it is film or drama. In basic factual programmes, we want the investment to enhance our development potential, because Channel 4 in particular will give a significant opportunity, and we hope that there may be more opportunity in the BBC when the rules are tightened up a bit.

There is huge potential growth, especially if we can persuade Ofcom to persuade Channel 4 to have not just increased out-of-London targets but increased Scottish or nations targets, and so not let it all go to Manchester. The stepping up that we will have to do to meet those opportunities is

probably beyond the resources of even the more substantial companies to grow organically. If the screen unit can be a catalyst to rapidly enhance the development that we can do to seize the moment, that will be a great contribution.

David Smith: My point was not a direct criticism of Creative Scotland because, up to now, it has not had money for television and so has not had particular expertise in that area. It has people who have knowledge of television, but it will have to develop specific expertise. If it has not done that in a year's time, that would be a criticism, but at present it is understandable that most of its knowledge is in film.

I hope that the unit consults with industry. When it is talking about its funding models and how those will be applied to television, I hope that it will consult with Pact and with the industry quite widely. I have concerns that television is a moving feast at the moment. At the moment, a big Netflix production is under way in Scotland. Is that television or film? We need clear guidelines on that, because Netflix is a television platform, but that production is a film on a television platform. Will that sort of production be able to apply to the television pot of money, rather than the film pot of money and what impact would that have? Those are questions that we need to ask.

Claire Baker: That is helpful, because I was going to ask about how Scotland can take advantage of opportunities to produce for the new platforms such as Netflix and Amazon. Could more be done in Scotland to support companies to take advantage of those new opportunities? Would that be a role for the screen unit? You make a good point about where the funding would lie between film and television. That is of interest.

David Strachan: There is always opportunity cost. As a company, we focused on the BBC for a long time and then more recently on Channel 4, which has been very productive, and most recently on Channel 5, which has brought some success.

In January, our team was across in Washington at Realscreen, trying, for the first time, to make relationships with PBS, the Smithsonian Channel and the like, but there is an issue about how thinly we can spread ourselves. We might take our eye off the opportunities that Channel 4 offers because we want to get into America.

There is potential for dialogue with Apple, because Jay Hunt, who was at Channel 4, now runs Apple and people have relationships through Channel 4. That is how it works—it is about the personal relationship—so we all have our fingers crossed as far as that is concerned.

Donald Campbell: The screen unit's targets are pretty ambitious and challenging. The doubling of the sector over the period is the right target. It is

an economically driven target, and the only way that it will be achieved is by having an international focus and by using the funding of the screen unit as leverage to bring production and creativity to the fore in Scotland, but with very much an international footprint.

One thing that we do, although probably not as much as we could, is work with, for example, Northern Ireland Screen and Scottish Development International to bring producers to the content markets. Those kinds of networks bear fruit in the long term. David Strachan mentioned sending a team to Washington, and that is absolutely where the investment has to happen. It means that resources are spread very thinly. People are busy in production, so it can be hard to find the time to develop not just creative ideas but business networks and the trust that leads to commissions. That work takes a period of time and needs to be strategised, but it bears fruit.

Our experience has been that, five years ago, in the Gaelic television sector, we were a fairly self-sufficient economy. We had money to commission and we commissioned it. We spent it—wisely, we thought—and the producers did a great job of making good television content. Now those same producers are bringing a whole load of other people to the table to work with us, so we are looking at a portfolio of projects that involve funding from Canada to China. That is different, and we have worked on that for the past two years, but it is the right direction of travel.

Claire Baker: Those are interesting points because, if you were a manufacturing or food and drink company, I imagine that there would be support from Scottish Enterprise, which would be the economic driver in that regard. As a sector, where have you received support from and where do you expect it to come from in the future? Is it the screen unit? Does Scottish Enterprise need to play a greater role in the film and TV sectors?

David Smith: The FAANG companies—Facebook, Amazon, Apple, Netflix and Google—have no end of suitors. Everybody wants to play with them, because they have deep pockets, although they do not always pay very well. We have to be careful about rights positions in that world, because they take everything and companies have to ensure that they pay a sufficient amount of money to make the project and survive into the next project. However, the FAANG companies are interested in good ideas and the talent to make them.

Therefore, it is about development, so that would be an area for Creative Scotland or the screen unit, and it is also about access to markets and meeting people, so that is Scottish Enterprise's area. The domestic broadcasters also have a role, because they are well-trusted co-

signatories of a lot of the FAANG deals. If a company is a good supplier to Channel 4 or the BBC, it will have the trust and respect of a very well-respected broadcaster, which gives the FAANG companies a lot of comfort. Working with the national broadcasters to access those companies is a useful route. However, they have no end of suitors, so it is not easy to get into that area. Finding time with anybody from any of those companies is tricky.

Ross Greer (West Scotland) (Green): We took evidence on the screen unit from public bodies such as Scottish Enterprise, Creative Scotland and Skills Development Scotland. There was some concern raised off the back of that session—in fact, it was raised during the session with a number of us on social media—that the public bodies are taking a leadership role in the screen unit without the relevant industry-experienced professionals being in it. We heard that industry-experienced professionals such as you will not have the leadership role in the screen unit that is required to make it a success and that those making the ultimate decisions will not have the level of knowledge required. Have you heard that concern and, if so, do you share it? What should the governance arrangements for the screen unit be?

David Strachan: I am on the sub-board, and it is a big sub-board. There are two of us from the industry and quite a lot of people from the public agencies. We shall see how our voices are heard when it all starts.

One issue with the public agencies, particularly Scottish Enterprise, is that it measures success in terms of job creation. We create jobs, but most of them are freelance jobs and they tend not to count. They are substantial high-value jobs and they are pretty well continuous. We may have an office full of 50 people. They may come and go but, if we can get the development side right, we have a decent steady flow of work. However, if those jobs do not count and therefore we do not qualify for some of the support that we would like such as investment in plant and infrastructure, which would otherwise have to be taken away from our development, which is what generates new jobs, that is a problem.

Donald Campbell: You could probably draw a degree of comfort from the fact that the screen sector leadership group was chaired by John McCormick and its report was pretty well received by the industry, as it hit most, if not all, of the right points and the right tone.

09:45

David Smith: As I said, the key thing at the moment is the funding rules that will be applied to

the new pots of money and how those are developed. I realise that David Strachan is involved in that process, but we would like wider industry consultation so that people who are involved in all genres can consider how the rules will impact on them.

Ross Greer: To move to another area entirely, in answer to the first question from the convener, David Smith said that he could only draw so much information from the out-of-London register and that a bit of educated guesswork was involved in getting to his conclusions. If the goal is to create the level of transparency that results in industry and audience confidence, what information should be part of the register?

David Smith: That is a good question. I meant to mention the issue earlier. At the moment every title is listed, so an individual 10-minute film is given the same weight as a 15-part series. It is a title that is set against the register. We could go back and check to see how many episodes there were in each series, but the actual weight of things is not there. At the very least, the out-of-London register should list the number of episodes in each commission and their durations, so that we know what is there.

It is difficult to provide financial detail, because that is commercially confidential. The broadcasters have to be able to negotiate without revealing too much of their hand, as do we. It is a commercial relationship. However, broader financial information could be provided on how the overall spend is broken down between companies that are based in different parts of the UK, without necessarily naming the companies or giving too much financial information. Proportionally, we know what Channel 4 and the BBC spend in the nations and regions, and that could be broken down for us in a bit more detail.

Ross Greer: The complaints procedure has been mentioned. It could perhaps do with being a bit more robust, given that we have heard that there has been an outstanding complaint for around a year. Beyond the complaints procedure, what regulatory tools can Ofcom bring to bear to create the sustainable industry growth that we want? The carrot and stick balance was mentioned earlier. If Ofcom uses punitive measures that fine companies, that will not result in any sustainable industry growth in the following year. What tools can be brought to bear there?

David Strachan: Regulation is a blunt tool and it is not always an effective tool. Ask the national health service about the approach of having nurses in accident and emergency write down people's names on a bit of paper or something like that, just to tick a box to say that they had been seen within a certain time. We have to change the culture, and I am not sure that we do that just by

regulation. We have to change the behaviours, the assumptions and the expectations, and that is a big job that has been going on for a long time. It is difficult to do with commissioners, whose first priority is the programmes and who regard the obligations to have a sea change in the way commissioning happens as an irritation. How do we achieve culture change? I do not know what the answer is, but we need to draw around us people who get it and tell stories that make people realise that the current approach does not work.

Donald Campbell: Ofcom can also ask for plans. It has asked the BBC for an annual plan in advance of each year. Setting out a plan for how certain quotas are intended to be achieved would allow a constructive approach to addressing issues. Issues could be addressed at that earlier stage, rather than retrospectively using audit.

David Smith: Other changes and moves are happening. Channel 4's current plan is to move 300 jobs outside of London and establish three centres, one of which will be its national headquarters. We are told that that will locate commissioners within the nations and regions. They will become part of the community that produces content in those locations, and the process will become more authentic as a result, because they will get to know the people who live and work in those areas and to trust them because they will see what they have done before. If everyone who buys programmes is based in London—obviously, I am not talking about BBC Scotland and local broadcasters; I am talking about the network broadcasters—it becomes a harder process, because they are not part of that community.

Channel 4's move, which has been prompted by the Department for Digital, Culture, Media and Sport and not Ofcom, is a positive move and its reaction to the requirement that is placed on it has been positive. It is a new regime in Channel 4. We wait to see how it takes everything forward, but it is a good first step and I am told that Glasgow is keen to put its hat in the ring.

The Convener: I will ask about the portrayal of Scotland. That is not a public purpose, as support for the creative industries in the nations and regions is a public purpose, but I understand that representing the diversity of the UK certainly is. I know that Mr Campbell has in the past raised issues about accurate portrayal of Scotland. Ofcom has talked about how that will be part of its review of the BBC. Do you think that the current regulatory framework delivers sufficient programming that portrays Scotland? What measures could be implemented by Ofcom, the broadcasters or the screen unit to encourage the portrayal of Scotland in commissioned programmes?

Donald Campbell: I am not sure there is a method that can measure that. People have a wide range of views on portrayal—where it is failing and where it is working. We can point to recent examples such as “Shetland” on the BBC. The BBC is a network, so it is basically allowing people across the UK to experience in their own way what it is like to be somewhere else and to live somewhere else, regardless of the story that underlies that. I am not sure that there is a method that could give us a picture that everyone would agree with.

David Smith: The emergence of the new BBC Scotland is interesting in that regard. For the first time, Scotland has a national broadcaster that has a fixed linear timetable: it broadcasts every day from 7 until 12. It will be commissioning a lot of content, and it may not always be able to fund that content fully. We are conscious that its budget levels are lower than we had hoped for.

Obviously we have talked in this forum before about BBC licence fee funding investment and how we hope that there can be more money brought into the Scottish system by the BBC. The pressure results in co-commissioning between BBC Scotland and the BBC UK network, so I hope that there will be more projects funded from the outset by different parts of the BBC. Those programmes would play on the BBC Scotland channel and on the UK network, and there would be more movement of BBC Scotland commissioned programmes to network slots.

I will not blow our own trumpet too much, but a programme that was broadcast on Monday night on BBC Two in Scotland about freemasons and their history had an almost 20 per cent share—one in five people in Scotland who were watching TV at that time watched it. That seems like a programme that could move to the network. We would benefit from that as a company because a small network uplift payment is made. That is useful financially, but it also allows for a degree of representation. Projects have to be good enough—we have to be able to play on the national stage with ideas and subjects that punch through nationally.

The Convener: That leads on to another area that we have not covered and which I wanted to raise. I realise that some of the panel have to go soon, but I want to make sure that the subject is covered because it has been raised a lot with the committee. It is the relationship between commissioners and production companies. We have been told that because programme commissioners are in London their relationships are with people in London whom they trust. That is a very difficult thing to change, so how could we do that? Could we put in place regulations that could force a change in that respect?

David Strachan: I think that we should use not regulations but catalysts. Commissioners are resentful of anything that looks like their hand being forced. We are all capable of building such relationships. David Smith has them and my company has them. It is a question of resources and time.

I will, also, in part, answer your previous question, on representation. An example that illustrates that is that after “Derry Girls” was on Channel 4 we suddenly had, in our Northern Ireland office, interest in a subject—the history of the troubles—that we had never had interest in before. There tends to be an assumption that programmes that use regional accents will not travel. “Derry Girls” had a very strong regional accent but it was very attractive to the audience. That surprised the commissioners, so suddenly they are thinking, “Maybe this will work. Who knows?” That could have a knock-on effect on Scotland.

David Smith: Moving commissioners out of London is another answer: Channel 4’s move to place commissioners in the nations and regions is a big step forward. The BBC could do more of that at network level. It already has a few such people. As we have said here before, you have to distinguish between a commissioner and a conduit commissioner. Somebody who potentially gets in the way of a commission—another link in the chain—is not useful. Somebody who directly has the ear of the channel controller is useful.

The Convener: That matter has been a bit confused in the evidence that the committee has heard. We are told that there is a drama commissioner in BBC Scotland, but other people say that that has actually not happened and that the commissioner in BBC Scotland does not have any clout in London.

David Smith: You will need to ask the BBC for details on that. If you want to win a drama commission, you need to go to the head of drama in London and the controller of the national network channel to get the green light. The person in Scotland will be a commissioner or a commissioning editor, but will not have the power to green light anything.

The Convener: I have a last question. There is a fair amount of consensus that there are problems in terms of the commissioning process and the amount of Scottish content that gets on to the screen: even Ofcom has agreed that there is a problem in that respect. When we took evidence from the deputy director-general, Anne Bulford, in October 2017 about the process of establishing Scottish content, she said:

“Across the whole UK, we check line by line, through the returns, against the criteria for the base of the production company and the percentages of people, in order to ensure that that does not happen.”—[*Official Report, Culture*,

Tourism, Europe and External Affairs Committee, 26 October 2017; c 13.]

She was very robust in defending the BBC, but everyone else from whom we have taken evidence—including the screen sector leadership group—has said that there is clearly a problem. Is there an issue in that the deputy director-general of the BBC does not recognise a problem that everybody else says exists?

David Strachan: It is funny how problems become apparent. Peter Murrell has said that he saw a drama crew sitting on the steps of Bute house in Charlotte Square. It was late at night and he engaged in conversation with them, asking what it was like and so on. Someone said, “It’s terrible. I have to find a granny here with an address so I can tick the Scottish box”. Peter Murrell was the wrong person to say that to. If it happens that production companies are just told that the box has been ticked and the production company tells the BBC that the box has been ticked, it is quite hard for somebody like Anne Bulford to know what is actually happening, because all the information that she is getting through the chain is that the system is working. We have to tell those stories in order to change the system.

David Smith: What is and what is not a “substantive base”? That is the key question. The BBC is happy to accept that a temporary office with a production executive in it is a substantive base because under the current rules that is allowable. We need to think about what a “substantive base” should be. Where do the personnel on a project pay their taxes, for example?

The Convener: I thank all our witnesses on panel 1 today for coming to give evidence. We will have a short break while we change our panel of witnesses. Thank you.

09:58

Meeting suspended.

10:02

On resuming—

The Convener: We continue with our second panel of witnesses on television commissioning. From BBC Scotland we have Steve Carson, who is the head of multiplatform commissioning, and Bruce Malcolm, who is the head of the service department. From Channel 4, we have Lorraine McKechnie, who is the nations and regions executive and Sophie Jones, who is the head of corporate affairs. We also have Bobby Hain, who is the director of channels at STV. Welcome.

Thank you for coming to give evidence to us today.

I believe that you were all here for the first panel of witnesses, which is great, so could you reflect on evidence that we heard from them on the Ofcom review, on whether the Scottish creative industries benefit from the regulations that are in place at the moment, on how they need to change and on compliance with them? We heard quite a lot of evidence of clear breaches in respect of productions’ being determined to be Scottish productions.

Bruce Malcolm (BBC Scotland): I am happy to speak on behalf of the BBC. I listened to all that evidence. It would perhaps be useful to put some context around it. I will start with where the BBC has been and where it is going.

When I look back, I see that we have, since 2004, tripled network production in Scotland. That is a big expansion, by any business standard. Some people think that we have gone too slowly and some people think that we have gone too fast. We will also launch two new channels—BBC Alba and the new channel—which are the only two new channels the BBC has launched in Scotland, in the new year. The new channel plus new network production amounts to about £40 million of business.

The context is that we have been on a big journey. We are in a different position from where we were 10, five and three years ago, but we realise that we still have work to do. We have had to do a number of things to achieve that level of growth so quickly. Mark Thompson made the announcement that the BBC would spend 8.6 per cent of all network production spending in Scotland. That is an economic measure—I will keep coming back to that. Basically, what Mark said was that we would spend 8.6 per cent. That is what we do, and we have exceeded that target.

The Convener: Excuse me for intervening, but in the evidence that was led earlier there were questions asked about whether that 8.6 per cent has actually been authentically Scottish content or has been done through lift and shift, with temporary executives and independent production companies. You will have heard the examples that were given—and not just by the previous panel. You will be aware of evidence that this committee and select committees in Westminster have heard on the issue, that productions that have been classified as Scottish productions have not been Scottish productions.

Bruce Malcolm: I hope that I will get to that issue in due course, convener.

We—the BBC—are saying that for network television including sport, children’s TV, daytime TV, quizzes, factual TV and drama, we will make

8.6 per cent of all those genres in Scotland. As a result of that, there will be a mix of network content that we make shown across the country. Some of it will be drama and some of it will be comedy, which we will talk a bit more about. Steve Carson will talk to you about how we have evolved in that respect.

The 8.6 per cent production target is an economic measure. A couple of examples might help. We can talk about Sunset+Vine: I know there have been questions asked about the women's FA cup final. I believe that Sunset+Vine is a great company to be based in Scotland. It has a great office and it has done work for us over maybe a decade. It covers shinty, bowls, football and rugby. It is on BT Sport with award-winning football coverage. It is a great company; it makes great stuff. It has also won work outside Scotland. It makes stuff outside Scotland and the BBC has, under the Ofcom rules, to badge that as having come from a specific place. We think that the company has a meaningful base in Scotland. It has employed apprentices. It did the Commonwealth games with us, for example.

Therefore the question is—there is not a right and a wrong—what do we think of Sunset+Vine's presence? Should we be proud of that company exporting its skills and its expertise and making content elsewhere and therefore accept that that is one of the productions that will be badged as "from Scotland", or should we not? That is the question. It qualifies because, I think, that is meaningful production, in a sense. Other people have a different view.

On the studio stuff that you were talking about earlier, we made a big decision quite a long time ago to build a studio at Pacific Quay. To feed that studio and keep the hundreds of people busy around that studio, we have to utilise and put a regular volume of work through that studio. That means we have to use lift and shift, which means making "Eggheads", but it also means other productions, such as "Children in Need" and "Mrs Brown's Boys". Again, there is a question: is that good production for Scotland, with hundreds of people gaining skills and making wages, and mortgages being paid? We think that it is a good thing. We accept that it does not mean portrayal and that it does not mean representation in some cases, but if you want to make 8 per cent of all the BBC's network production and to play a part in that, you have to accept that there is a mix of work involved.

I think that it is the right decision for Scotland that we have a studio. I think that it is the right decision that Channel 4, STV and the BBC utilise that studio. Without that, we would not have a studio, we would not make game shows, we would not make entertainment, but it means that some

shows qualify about which some people might say, "Couldn't it be better? Couldn't it be a drama? Couldn't it be this? Couldn't it be that?" We all have to accept there is a difference between economics and Ofcom measures. Ofcom only measures economics. Portrayal and representation, and finding clever ways to measure portrayal are topics that we should discuss.

On earlier questions that were asked by the convener, we do comply, both before a production is made and after. If we are asked questions, we take complaints and issues seriously. We look at the returns that production companies make. We audit them when we are asked to do so, and we do our own review of them. We have a lot of knowledge in this area. Returns that are reviewed meet, on most occasions, the criteria that Ofcom has set. Whether the criteria could be tightened, improved or made slightly better is for discussion. I think that they can, but we comply as we are required to comply. That is how the system works.

The last thing that I will say is about what I term peripatetic productions: many productions move about the country and use staff and people from all over the country. The key measure for that is the production's substantive base—whether a company has a substantive base and where it is. That is the question that we have to answer for Sunset+Vine, or any companies such as we are talking about. We feel that we qualify what we have to qualify, but I will stop there and pause.

Claire Baker: I have a question about the Ofcom review. I accept the argument that the channels work within the rules that Ofcom sets, but do the panellists support a change to the rules? I do not know whether they are able to say that, given Ofcom's role as a regulator. I suppose that the question is particularly for the BBC and Bruce Malcolm. If the rules were to substantially change, would that present challenges for the viability of the studio at Pacific Quay, or do you think that there would be enough flexibility in any new rules? Do you support a change in the way in which Ofcom regulates in the area?

Sophie Jones (Channel 4): I will speak for Channel 4. To set the scene a little bit, when we were here a year or so ago, the consultation about Channel 4's future contribution to nations and regions and what more we could do had just kicked off. It is very pleasing to be sitting here nearly a year later, having announced in the past couple of weeks the biggest single shift in the way that we operate. At the heart of that is our renewed commitment to increase our commissioning from the nations and regions from the current quota of 35 per cent to 50 per cent in the next few years. We are very excited about that. We will support that objective, which is right

at the heart of the UK plan with the opening of three new creative hubs. Their location is yet to be determined, but that marks a significant shift in our commitment to ensuring that we invest our money far and wide right across the UK.

That forms a really important backdrop to the big question that we are here to talk about, which is: how do we support and catalyse an increase in commissioning and creative activity right across the UK, including in Scotland? That is the primary objective that we are working to. The quotas are an important part of that, but they are not the sole solution to meeting the big objective of driving regional economic growth.

It is important to identify and be really clear about what the quotas are there to do. That has been alluded to. They aim to support economic activity. The portrayal question is a really important parallel question that we must not lose sight of. We have extremely robust internal processes for the quotas and how they are structured. We look at projects before they have been given the green light and keep track of them, and we regularly have external reviews of our programmes to ensure that they meet both the spirit and the letter of what the regulations demand.

The important metric to look at for the effectiveness of the quotas is whether the system as a whole is delivering the objective that we want, which is an increase in economic activity and investment. We are really pleased that, as a result of the combination of the quotas, work that Lorraine McKechnie and the team that is based in Glasgow do and our corporate objectives, we have seen a very significant increase in that over the past 10 years. There has been a fourfold increase in our spend in Scotland. When we publish our figures for 2017, a substantial jump of about 25 per cent in our investment in Scotland will be seen. Taken as a whole, we think that the system seems to be working if we look at the range of companies in which we are investing and the amount of money that supports that.

Claire Baker: We recognise the increase in spend, which is welcome, but I think that you said earlier that the intention is that there will be increased regional content and portrayal with the creative hubs. At the moment, if the quotas are worked to the letter—I accept that everybody here says that we abide by the quota rules—they allow flexibility. A hub might be based in Glasgow or Manchester, but a national game show could be filmed in Glasgow with no reflection of Scotland in it. The current rules allow that, but I think that it was said that, although the hubs would create regional economic benefit, regional content would be linked to that. At the moment, the Ofcom rules do not have to be matched.

10:15

Sophie Jones: There will be three hubs, and there will be a pitch process to identify them, which we will publish in the coming weeks. The hubs will, for the first time, put real creative decision-making power into the nations and regions, which is a significant step. We have discussed that subject before in this forum and elsewhere. That will mark a significant shift not only for Channel 4 but in the weight of commissioning power across all UK broadcasting commissioning, and we are absolutely determined that that new structure will help to catalyse and underpin the growth in commissioning expenditure.

Alongside that, we are working to the objective that the new nations and regions plan that we have developed outside of what the quotas are there to do formally will also help us to deliver to our diversity remit and regional and national diversity within that by ensuring that more programmes contain a more diverse range of viewpoints and people from across the country. Programmes that are commissioned from a particular location will often strongly represent that location, but we also want the creative flexibility to say that, if something is made in Scotland, what will go on screen will not necessarily have to be deeply Scottish. Equally, we want our programming to reflect the diversity of the UK wherever it is made.

I will give an example. As members may know, in January this year “Channel 4 News” opened a new bureau in Glasgow. Part of our nations and regions plan is to bolster the number of regional bureaux that “Channel 4 News” has. The objective is to ensure that, on a daily basis, we can have more regional diversity as a matter of course in our “Channel 4 News” output, albeit that that output reaches a national audience.

Steve Carson (BBC Scotland): I will give an example of where we are now and where we have come from.

We are now in the second phase of moving spend out of London, and portrayal is now coming through strongly. On our drama story, to pick up on what Ms Hamilton said, in the past few weeks we have given a green light to series 5 of “Shetland”, and new titles have been announced. “The Cry”, which is from an indigenous Scottish indie, is set here and in Australia. STV Productions is becoming a major drama player for the BBC with “The Victim” and “Elizabeth is Missing”, and we have comedies that are among the biggest comedies on the BBC in “Two Doors Down” and “Still Game”. I think that there has been a progression to portrayal.

In defence of so-called lift and shift, from my experience in Northern Ireland, when broadcasters were serious about getting spend out of London, they moved specific titles rather than waited several years for a development pipeline. Some titles were moved to Belfast. “Wanted Down Under”, for example, consists of 30 episodes a year of a show that is set in Australia and New Zealand but is made in Belfast. I could see the talent that came through the pipeline in my time there. People who started as runners were assistant producers or producers after three or four years. In the early years, the show owners or series producers were so-called fly-ins, but all the network titles ended up being run by local people. A sector was beginning to be built. If a person wanted to work in network television, they could do so in Belfast. In my generation, the next question was, “When does the next boat leave?” There was an economic impact there, but it is clear that the big win is in portrayal. As I have said, we can certainly see that coming through in Scotland.

The Convener: That is interesting. We visited Northern Ireland and took evidence from an independent production company there. It had lots of positive things to say, but it said that it was almost impossible to get a network commission from the BBC. It was winning prizes at international festivals in New York, and it was more likely to get a commission from Netflix or NBC than from the BBC network.

Steve Carson: The picture in Northern Ireland is mixed. There is a huge amount of activity in drama and children’s programmes. During my time there, some of the biggest dramas on BBC2 came from Northern Ireland, but factual programmes remained a problem. One of our fixes was that the BBC as a whole brokered partnerships with Northern Ireland Screen. I can talk about that, if members would like me to. Northern Ireland Screen injected money into factual production to help to close that gap. There are some strong entertainment companies in Northern Ireland. Stellify Media, for example, is doing well.

Bobby Hain (STV): I will offer a couple of observations in reply to the question about the first evidence session and regulation in general.

Earlier, regulation was described as a “blunt” instrument. That is absolutely true, but there is some effectiveness even in that bluntness. I will draw a parallel. A point was made about the BBC’s stated intention to commission programmes by volume and value commensurate with population. Let us leave aside the question of detail that has been raised in relation to checking programmes line by line and contrast that intention with what happens in the ITV network, for example. It has no nations quota in its licence, and

it could go for a whole year without making a single programme in Scotland for the network—indeed, I think that it has done that. That gives us a sense of the requirement for regulation at some level as part of the solution.

It is clear that the nations and regions picture, which is an echo of television past, is not a sophisticated enough regulatory instrument to bring about three different outcomes: the industrial policy of making any kind of programme around the country with a dispersal of production generally; ensuring that there is portrayal and representation at a cultural level from areas in which programmes are made and areas that they reflect; and ensuring that investment is dispersed. That is a much more difficult issue. It is about ensuring that the creation of IP, which David Strachan referred to, is mirrored by dispersed investment and dispersed growth around the country and does not return to a smaller geographical pocket of investment and returns that are London based.

My final point, which came up earlier on, is about co-regulation. Ofcom has followed two very successful models that go to the provenance of data and the responsibility of industry operators. The first is the advertising co-regulation model, in which the regulation of advertising is shared by an industry body and Ofcom. Ofcom is not concerned initially with day-by-day issues that advertising raises. They will eventually come to it, but they are dealt with by the industry body first and foremost.

The second model is the initial set-up of the video-on-demand services. Ofcom had an arm’s-length agency work with the industry to get them off the ground. I think that, because of the growth in services such as Netflix and Amazon and the amount of viewing that they now represent, they have become regulated by Ofcom. The early days of that particular structure are a good pointer to the answer to the question that the committee asked about whether there is a co-regulatory model that relies as much on the industry as on the regulator.

The Convener: Some of your suggestions would require legislation at the UK level. Ofcom has been given additional powers to regulate the BBC, in particular, so our focus is on seeing how that works out and whether its review is effective.

Let us move on.

Richard Lochhead (Moray) (SNP): I have two questions, the first of which relates to the decision-making process. I would like to hear from the BBC but also from Channel 4 in the light of your proposal to create three creative hubs, which the previous panel warmly welcomed. That sounds like good news. My question is on decision-making power over budgets. When work begins on the

ideas that are created in the hubs, that will have to be paid for, and I want to understand how the decision-making framework will work in terms of the influence of the creative hubs. Maybe we can start with Channel 4 and then hear from the BBC.

Sophie Jones: There is a lot of work to be done to get into the detail of exactly how the creative hubs are going to work. As I say, one of the really significant shifts within this plan—and one that is very much about ensuring that a greater degree of decision-making power is transferred from London to the nations and regions—is that the people who are in the three creative hubs will be decision makers when it comes to commissioning. That is a first. Lorraine McKechnie and Deborah Dunnett, who are based in Glasgow, are absolutely integral to a lot of the work that we have done around building up talent and supporting companies on their growth trajectory, but they do not have commissioning power, so that will be a significant shift. Those people will hold real budgets and will make real commissioning decisions.

Commissioning as a whole is a collaborative process whereby there is a schedule or a set of schedules and we have a number of different genres and obligations that we have to meet. Our remit asks us to do 15 different things within that set of regulations, of which nations and regions commissioning is one thing. Exactly how the opportunities will pan out for Scottish production companies as well as any other production companies will need to be part of the overall commissioning process to fill the schedule. We have to fill our schedules both in a way that is commercially optimised, because we are entirely commercially funded, and in a way that supports our publisher model.

We do not have in-house production in the way that our colleagues alongside us do, so we are trying to balance our commissioning from external production companies, ensuring that we are working with a diverse range of production companies. We are very clear that, although the regulations do not formally require it of us, we hold ourselves to a high standard to ensure that we are working with a range of different people. We heard from some of those in the previous panel.

There are complex bits of the jigsaw at play, but the short answer to your question is that this marks a very significant transition in the way that we operate, with creative decisions being made by and budgets being held by commissioning people outside London.

Lorraine McKechnie (Channel 4): Channel 4 is quite a small company. The commissioning floor is small, there are different genres and each team is made up of six to eight people with a head of department, so we always have people to talk to about ideas. Having decision makers in the

different hubs is great, but people will always work within their teams anyway. It is a very collaborative environment to work in.

Richard Lochhead: Let us move on to the BBC. We will have to await the detail from Channel 4, but it sounds as though it is going in the right direction. Irrespective of all the good things that are happening at the BBC and BBC Scotland—the devolution of more budgets and so on—will the commissioning process ultimately still be decided in London? That is my first question.

It is unlikely that, if Queen of the South is playing Greenock Morton in the fourth round of the Scottish cup, the match will be televised in England and Wales. Nevertheless, an edition of “Shetland” was dumped for the Swansea City v Sheffield Wednesday FA cup replay in February, although the stadium was half empty. Even local people did not want to watch that match, never mind people in Scotland who were expecting to watch “Shetland”. Do you agree that that gives the impression that all the decisions about what happens with the BBC are taken in London?

Steve Carson: The honest answer is that the picture is mixed. Locally, within the reorganisation of BBC Scotland, all commissioning decisions across radio, television and digital services are taken by me and a team of commissioners. No system requires just a single tick; a minimum of two ticks are required.

I would like to correct the record on drama in Scotland. There is a network drama commissioner—Gaynor Holmes, in Glasgow—with whom we work closely. She and Liz Kilgariff have daily direct contact with the head of drama, Piers Wenger, and the final tick in the system comes from the channel controller. In the dramas slate that we run through—including “Shetland”, “The Cry”, “Elizabeth is Missing”, “The Victim” and “Clique”—there is a very strong drama slate now coming from Scotland.

The FA cup replay that you mention is emblazoned in my heart. Is that the one that went to penalties?

Richard Lochhead: I switched it off.

Steve Carson: The BBC is a pan-UK organisation, and the FA cup rights are purchased on a pan-UK basis. I do not think that “Shetland” was dumped; with “River City”, it was moved to Wednesday. Such are the realities of putting local content into national services. Subject to regulatory approval, the channel environment will help us in that regard.

Richard Lochhead: Did BBC Scotland say anything about the FA cup replay happening and the Scottish programming being pushed forward?

Steve Carson: When there is the potential for matches to go to penalties, we look at the schedule and time-shift everything, including the 10 o'clock news.

During the recent poor weather conditions, we made provision for how we would get local weather on air, for example, if the match overran. We work closely on that in scheduling terms.

Richard Lochhead: I am not sure that that answers the question.

Bruce Malcolm: We do communicate with the BBC. We talk about whether we are going to stay with the network on a case-by-case basis. We will communicate before and review the situation afterwards. It is not a case of one size fitting all.

I do not know what the issues were in that particular circumstance—whether “Shetland” could have gone out in Scotland and not in the UK or whether that would have given the plot away or something, for instance. There are always pros and cons to doing that. On that occasion we went with the FA cup match. I know that there was a lot of comment about that. Whether we could have kept “Shetland” on and shown it in Scotland but not in the rest of the UK is a point for drama commissioners, us and everyone else to debate, but I suspect that there was something about the series or the plot that made people want it to go out across the UK at the same time.

Richard Lochhead: I will leave it there, but I suspect that half of Scotland will now be watching “Shetland”.

10:30

The Convener: It is only right that the MSP for Shetland gets to come in at this point.

Tavish Scott (Shetland Islands) (LD): I am grateful to Richard Lochhead for raising the issue. I am very glad that the programme goes out across the whole of the UK, because it has been very successful. I understand that 4.5 million people watched the most recent episode, the other night, which is rather more than watched the football that night.

Richard Lochhead: Exactly.

Tavish Scott: It was a dreadful game of football, too. I did watch it.

I thank Steve Carson for commissioning another series of “Shetland”. That news was announced to huge acclaim at home the other night. Can you describe why you decided to do that? I understand that the show is being syndicated not just around Europe but by vast organisations such as Netflix. How important was that in your decision?

Steve Carson: Formally, the decision to commission another series of “Shetland” would have been made by network BBC drama, in which Gaynor Holmes plays a central role. It is an interesting example of where we can and want to continue to play a role as a pipeline for development—“Shetland” was originally a BBC Scotland-only commission, as was “Still Game”, for example. We have some strong examples of that, and that is exactly what we want to do now going forward. We can be the innovator of new ideas and new programmes that can then potentially have a pan-UK audience. “Shetland” is a very good series. The audience both in Scotland and across the UK have responded to it very strongly.

Tavish Scott: On the point about Netflix, am I right in understanding that the BBC has been able to sell the programme internationally? Do such financial outcomes help in your decisions to commission more series?

Steve Carson: Virtually all drama is co-funded from a variety of sources. “Shetland” is produced for the BBC by ITV Studios. If you look at Netflix you will see quite a few BBC titles. “Peaky Blinders”, for example, appears on Netflix with some BBC branding. The producers typically are using a range of funding sources to get the tariff to make the programme.

Ross Greer: In the previous panel, we discussed the amount of information that is disclosed in Ofcom’s registers. David Smith from PACT gave quite a helpful example, showing that it is not particularly granular information: a single 10-minute production will be listed in the same way as a 12-part major production. I know that, as broadcasters, you are interested in industry confidence and in improving confidence in relations with independent production companies. What level of information do you think it would be helpful of the registers to disclose?

Bruce Malcolm: David Smith’s suggestion that more granular information be provided is useful. I do think there is an issue with commercial confidentiality, which he talked about. We cannot talk about money, but I do not think the BBC would have any problem with, for instance, some of the suggestions about duration and number of episodes.

Sophie Jones: In principle, if the process enables a more open discussion about how the system is working and the results of that, there is a case for a greater degree of transparency, although the point about commercial confidentiality is well made. That might be a helpful outcome in better understanding what goes on, but it is also important to understand more about how each of our processes works.

There is a high degree of scrutiny around the categorisation of productions. That is reviewed externally, as we want to be confident in that system. There is also an important relationship of trust between producers, broadcasters and Ofcom. Regulation is part of that, but the system needs to work because we want it to work and we make it work properly. From the reviews that we carry out, we are comfortable and confident that that is the case.

Bobby Hain: It is worth reminding people that, although the picture for STV as a broadcaster, as distinct from a producer, is slightly different in that 100 per cent of our programmes are made in Scotland, because of the regional licence structure that still underpins the Channel 3 network, we use the same criteria as are applied to a specific region. Although they are called the out-of-London criteria, they also apply to individual regions within the Channel 3 network, which is a regionally diverse series of licences.

It is important to remember that the output that you see in a register is an output—it is not all the information that is given to the regulator. The regulator needs to establish, from a licence point of view, the volume and value calculations in order to satisfy itself that—however exact, inexact or imperfect the calculations and the regulations are—that is what has been on screen.

The point has been made that Ofcom is an ex-post regulator, so it only really looks in the rear-view mirror at what has gone out on the TV. However, I would certainly be in favour of any additional information—particularly if it is in the public domain or it pertains to the number of episodes or series, which is not a commercially confidential item—being included in the register in the interests of transparency.

Sophie Jones: I would add that the quotas are not the be-all and end-all. It is also important for us to communicate and bear in mind that a wealth of activity goes on in the off-screen development of companies. For example, through our indie growth fund we have invested in Firecrest Films, which is based in Glasgow. In the time that we have been working with Firecrest as investors, it has become the fastest-growing indie company outside London. That is a fantastic success story. We are very proud of that, and we want to do more of that work. It is an important part of the picture in looking at economic growth.

We also undertake activity outside the quota world that applies to a narrow set of programmes on the main public service broadcasting channels. We are investing beyond that, and film is an interesting example. Through Film4 Productions, we had “T2 Trainspotting” 18 months or so ago, and this year we will have a film called “Country Music” that was made largely in Scotland. There is

economic investment coming into Scotland as a result of that activity, but it is not captured by the quotas. There is a bigger picture to look at.

Ross Greer: Let us turn to the complaints procedure for a moment. I do not want to get too hung up on specific examples that may or may not be representative, but, in the previous evidence session, the example was given of an outstanding complaint that had been lodged with Ofcom over a year ago. Could you talk a little bit about the balance of complaints that you receive that go through the Ofcom process compared to the complaints that you receive directly as broadcasters—industry complaints rather than audience complaints? Do you receive more complaints directly from the industry because there is an existing relationship, or do those complaints go through the Ofcom process?

Sophie Jones: I am not aware that there are many complaints, although a few examples have come to light. In those cases, as far as I am aware, when they have come to us, we have looked at them in full, including through an independent external review body. In the case of “Man Down”—the complaint about which is, I think, the one that you are referring to—the matter was reviewed and the production was found to be compliant with the regulations as they are drafted on the substantive base and the staff criteria. It met the definition. Lorraine McKechnie can talk a little more about the substantive base and the staffing elements.

The other example that I heard come up this morning related to “Eden”. There is a bit of a perception question about how the “Eden” experience played out. KEO Films had an office in Glasgow, but the office was moved from Glasgow during the period in which the programme was being filmed because it was quite a long way from where the filming was happening and it was more practical to relocate the Scottish office. It remained a Scottish-based office that was much closer to the filming location. There was a perception that KEO Films had vacated where it had been, but there was no recognition of its having moved. Unfortunately—

Ross Greer: You say that it relocated and was still a Scottish office. Where did it relocate to?

Sophie Jones: To the location where the programme was being filmed.

Ross Greer: Where was that?

Lorraine McKechnie: In the Highlands.

Sophie Jones: The ambition and the intention was that “Eden” would turn into a long-running multi-series with a potentially global format, because it was a highly-formatted thing. When we looked into that, the aspiration was that it could

represent significant long-running investment in a Scottish-based production. Unfortunately, the programme did not work as well as we had expected, as is often the way in television, which is a high-risk, hit-and-miss business. Had it worked, we would have been having a very different conversation today. It is important to think about the intention behind these projects, whether or not they ultimately succeed, and the intention was to achieve a very high ambition.

Lorraine McKechnie: We can never second-guess the audiences, unfortunately. We are in regular discussions with the executive producer at Avalon Television, the producer of “Man Down”, who is looking to develop more ideas over and above “Man Down”. Avalon Television wants to have more of a presence in Scotland and to have more ideas coming through the office in Scotland, and my team in the nations and regions is working very closely with it.

Bruce Malcolm: From the BBC side, I am aware only of the official Ofcom complaints, but I can check whether they come from any other source. There are literally hundreds of network productions that qualify as Scottish, and we have talked about the handful on which there have been queries.

We tend to forget that there is another side to the story. A lot of the Scottish people who work on our network shows do not count as Scottish. The European championships will be held in Scotland this year, and we have quite a lot of Scottish crew on that project. We are also sending quite a lot of Scottish crew to the Commonwealth games, and the coverage of the Chelsea flower show will be directed by someone like John Smith. There is an awful lot of stuff that is on the other side of this—stuff that is not counted and that significant numbers of Scottish people are working on.

We have to remember that there is another side to this. People could be saying that a programme qualifies as English or Welsh although there are a lot of Scottish people working on it.

Ross Greer: We acknowledge that and very much welcome folk from Scotland having opportunities, but the committee’s priority is growing the industry in Scotland. Wherever someone came from, if they are working in London they are growing the industry in London whereas we want to grow the industry in Scotland. I take your point that such involvement is valuable, but we are interested in industry growth rather than individuals’ locations.

Bruce Malcolm: The skills that individuals have are what attracts the business. If we have people performing big roles in big shows, they will help to attract work to Scotland. That is a slightly longer-term connection, but that happens. We win work

because people trust the creativity and skills of the people we are talking about.

Rachael Hamilton: I have a supplementary question. Ofcom’s regions and nations compliance form does not require much detailed information. Do you think that people should be identified by where they live, so that it can be proved that they are contributing to Scottish economic growth? That seems to be the point that you are making.

Bruce Malcolm: I do not know. I do not want to create a world of bureaucracy, with huge reports and lists that no one reads. It would be a bit overzealous to record the postcode of everyone who worked on a show so that we knew where they were from. At the moment, companies fill in a form saying that they comply. We can see the details behind that, which we can and do review. If there is a query, we follow that up.

The Convener: You will have heard what the previous panel said about the existence of anecdotal evidence about conversations that are had, whereby a company might be asked to put through a production as a Scottish production. The committee has visited post-production companies that have told us that they have been asked to put a production through their Scottish office on paper, even though it was going through their London office. We have taken off-the-record evidence on situations in which the person in charge of a production on the ground has asked members of the crew whether they had a Scottish address or whether they could put down the address of a brother-in-law so that they would qualify as Scottish. The amount of such information that is coming forward suggests that there is quite a lot of rule breaking going on.

I want to find out how the BBC establishes the accuracy of the forms that are filled in. We have had a look at an overview of the BBC processes. I understand from the guidelines that the BBC manager will discuss a production with an independent company to satisfy itself that it will qualify, but it is not clear from the guidelines to what extent the BBC requires its staff to maintain a written record of those discussions or to what extent the information is recorded and audited. We have taken extensive evidence on the issue, and people throughout the sector agree that it is a problem. Notwithstanding the fact that you have said that you do not want there to be too much paperwork, if people are regulating themselves, we need to make sure that the information that they give you is accurate. There does not seem to be an audit trail through which you can prove that it is accurate.

10:45

Bruce Malcolm: If we receive any official or formal statement to back up some of the things that have been said by you and others, we will follow that up. We will look at those cases, which do not sound right. If that is what is happening, we would welcome anybody coming to talk to us about such matters. We follow up on what we are told, but I do not think that we are hearing about such cases directly. We have written records. There are lists of how companies will comply and so on, which we review.

The Convener: The other issue that comes across quite strongly to the committee is that the people who come forward with such information tend to be freelancers or people who work for independent production companies, who feel that if they go public, it will jeopardise their livelihood. That is why they do not come to you. Could you put in place a system whereby they could come forward and tell you about those breaches without their livelihood being jeopardised?

Steve Carson: We would be very open to anyone providing information, but you should bear in mind that we are talking about an Ofcom quota, so Ofcom is the regulator and the manager.

From anecdotal evidence, it feels as if such instances of what used to be called brass plating or warehousing took place some time ago. I am commissioning for audiences in Scotland, so making sure that productions are made in Scotland for audiences in Scotland is our lifeblood; it is not simply a case of meeting quotas.

Going back a way, there is a role for production being located in a place even though the IP might be somewhere else; it might not be portrayal. "Game of Thrones" has done amazing things for the sector in Northern Ireland, but although there might be some similarities in the politics, it is not actually about there. For the first few series, quite a few heads of department came in, but over three or four seasons, local people got a chance. That is not brass plating or warehousing. That is an example of a production being encouraged to be somewhere by a very innovative screen agency.

Stuart McMillan: Good morning, panel. A key point that the committee is trying to get over to anyone who comes to speak to us is that we are interested in Scotland getting a fair deal. As well as highlighting the benefits of the sector in Scotland, we want to increase the opportunities for people in Scotland to get involved in the sector.

We have heard a wide variety of evidence, not just today but throughout our inquiry. We would all agree that opportunities are increasing, but it is clear that there are still some practices that are having an adverse effect. The data collection and information issue that we heard about from Mr

Malcolm will still be an issue. I accept that you do not want things to be too bureaucratic. I think we would all agree with that. However, if there is a process of brass plating taking place, or if people's addresses are being used, that is not good enough. That will not help people in Scotland to get on in the sector.

Bruce Malcolm: No, it will not.

We have talked about drama. There is £15 million to £20 million of drama. Steve Carson has talked through the titles. Those are great shows that offer a better portrayal of Scotland than we have had before. We think that we have a very strong drama slate that is growing and improving in terms of portrayal.

As I have tried to say—I am sorry if I have not explained it correctly—for each of those dramas to qualify as Scottish, 50 per cent of the talent et cetera will have to be Scottish. There will be a list of all the crew on the show, which will be accompanied by a guarantee from the production company that they are based in Scotland. We get that, but we do not make it public. We review it if we are asked to, and we review it up front before the commission as well. If the forms have not been filled in correctly or they have been filled in dishonestly, that is another issue entirely. If we found that out, we would take that extremely seriously.

We are happy with the level of granularity that we see. We review that information. Beyond that, I do not know what we can do. If there is dishonesty on the part of production companies, that is a different matter.

Stuart McMillan: You said earlier that you do not want to go and ask anyone who is involved in a programme where they are staying or what their postcode is, but if you are employing a production company to undertake a piece of work on behalf of the BBC, surely it will have the details somewhere. It should not be an onerous piece of work to establish exactly where people live.

Bruce Malcolm: Production companies do that. If you are suggesting that, as a matter of course, we should check that information line by line—against tax records, for example—that is a level of work that we do not currently do.

Lorraine McKechnie: That is quite a difficult issue to address because, as a publisher/broadcaster, we rely on producers and suppliers for content. We have to take the word of the production company that it has done its own audit of where the crew are from and that it is self-regulating with Ofcom. From a broadcaster's point of view, that is quite a difficult thing to do.

As far as what we do is concerned, Channel 4, as the publisher/broadcaster, and my department,

as nations and regions, look to nurture talent in creative hubs, one of which is Glasgow. At the moment in Glasgow, we are working with more than 27 independent production companies, and we are in regular dialogue with 50 suppliers to the channel. We are trying to get to know each of the teams, so that we know who they have and which staff they have at various levels who might be ready to make the next move, because the retention of staff—the retention of talent—is quite difficult in Glasgow and in the other regions and nations. If there are opportunities available that allow people to keep moving up the career ladder, that is always a good thing. It is important that we have a mixed ecology of programmes from all the different broadcasters so that we can retain the talent.

Stuart McMillan: Do you think that the regulatory framework that is currently in place is sufficient when it comes to how Scotland is portrayed in the media?

Bobby Hain: Portrayal is a very difficult thing to regulate. We have talked a lot about the composition of production, the people who make the production, the spend and the activity. As I have said, we are a 100 per cent Scotland-focused broadcaster, but I am not aware of any portrayal obligation in our licence or, indeed, in any of the other licences. There has to be a degree of editorial freedom, but there is also a clear expectation that there will be—in the best traditions of public service broadcasting—portrayal, representation, cultural diversity and so on. I do not think that there is portrayal regulation or legislation as such, and it would be very difficult to draft and implement such an instrument. That is the answer to your question—I do not think that there is portrayal regulation per se.

Sophie Jones: I echo that. It is incredibly hard to find metrics that work in such a creative context. However, in the past few years, across the industry and certainly within Channel 4, an even greater degree of emphasis has been placed on ensuring that we are being diverse across everything that we do, on and off screen. As we said, what we do on screen is hard to measure, but representation and portrayal of different communities, cultures and backgrounds in all their various shapes and sizes is really important to us.

We have a diversity report that we publish every year. As part of that, we set ourselves an extensive range of 30 or so metrics. When we are talking about creative decision makers, it is very difficult to boil those down to tiny micro-subsets of subsets, but the issue is one that has become much more front of mind in how we run the business and in the way in which creative decisions are made. Through our for all the UK plan, we will hold ourselves to account on

ensuring that the diversity of the UK is better represented as a result, and we will do our best to ensure that we are telling those stories when we come to account for that, even if we cannot do so in cold numbers.

The Convener: Rachael Hamilton might have a supplementary question.

Rachael Hamilton: It is not a supplementary question; it is based on what the previous panel said.

The Convener: Could you make it as quick as possible?

Rachael Hamilton: I will make it quick. The previous panel said that it was important to build trust and relationships, and that that would be the key to success for the screen sector. How do you go about that? How do your Scotland-based commissioners build that trust and those relationships in order to increase drama production, for example?

Lorraine McKechnie: We do not know where the three creative hubs for Channel 4 are going to be, but my team—the nations and regions team—is embedded in the commissioning teams in London. We are also based in Glasgow, which is great for the Scottish indies, although it is not so good for the Welsh ones. Because we are embedded in the commissioning teams, we can share the intel that we gather from them. The good thing about our job is that we are cross-genre, which means that we can mix between features, current affairs, factual and documentaries and can gather insight on what the commissioners want at any time and feed that back to different production companies. We have regular routines with our 27 production companies. We will sit and go through the development slate with those companies, and we will help to shape ideas according to the brief that we have managed to gather from the commissioners. That has worked. It is starting to bear fruit, and we have a lot of different ideas in paid development and commissions off the back of that.

We also run a programme of briefings that take us throughout the UK. We ran 21 last year, six of which were in Scotland. It is like a roadshow. We take commissioners with us, and they give their latest brief to producers. We have started to tailor those briefings so that they are very specific. We tailor the briefs to particular needs—for example, where certain producers are not breaking into certain genres, such as the higher-tariff genres. In the nations and regions team, we also have the alpha fund, which is a small pot of money that can offer financial support to companies. We alpha funded three companies last year to the tune of £80,000, and we see five times the return on each £1 of that, which is quite significant. Although it is

seed money, it does deliver. We are currently in discussions with Creative Scotland and other partners to see how we can make that money go further. As someone who comes from a creative and development background, I know that it is a rejection business. The more relationships and partnerships we have to bolster development and development teams, the better. I think that we will see more commissions as a result.

The Convener: Thank you. I want to move on to some questions about the screen agency and Creative Scotland.

Claire Baker: Steve Carson described Northern Ireland Screen as very innovative. I am interested in the panel's views on the Scottish screen unit that is due to launch on 1 April. Have there been discussions with you about which partnerships can be created? I understand that there will be memorandums of understanding. Do you know whether there has been any progress in that regard?

Lorraine McKechnie: As I said, we welcome any partnerships that will help with development. We see the impact that our alpha fund can have on companies, as Sophie Jones mentioned. Firecrest Films is one such company, as is Tern Television Productions, which David Strachan represented on the earlier panel. Alpha funding helped Tern make inroads in the channel and then to get five commissions last year, which was quite incredible. Any partnerships and conversations that we can have are positive steps. We are in dialogue at the moment with the screen agency about how we can move forward and make a strategy work.

11:00

Steve Carson: We are talking to Creative Scotland and working towards a memorandum of understanding. We are keen to engage with the screen unit when it starts. From an economic activity point of view, there is very strong momentum, with an agency that is focused on broadcast, the investment of £40 million—including nearly £20 million for potential new channels, subject to what the regulator says—that the BBC has been putting into Scotland, the multiplier effect of the money that the screen unit will put into the sector, as well as what a host of broadcasters are doing. Having come into the sector comparatively recently, I have found that there is a strong range of suppliers here who now have experience of working locally and networking across all the genres. The money—if it is properly deployed—is coming at exactly the right time.

Bobby Hain: I echo that. Partly because of the history of Scottish Screen and the Scottish Arts Council, there was a bit of a gap in television

production, and I am not sure that that was addressed when the agencies joined to become Creative Scotland. However, I think that it is being addressed now and, like others, we are engaged in talking formally with the screen industry leadership group, of which we are part, and, bilaterally, with the screen unit. We welcome the additional investment in the sector, and as I say, we are positively engaged.

Claire Baker: Can the BBC say a little more about the proposal for the new channel? I know that it is sitting with Ofcom at the moment. There has been some discussion about portrayal. Is the purpose of the channel to respond to some of those issues? Could you say a little more about what the intention is?

Steve Carson: Where content on the channel could be co-funded or developed by channel, working closely with network colleagues, that could then go to network. That would help that portrayal pipeline. Put simply, the channel is a way of improving our offer to audiences in Scotland, in conjunction with our other services, bearing in mind that we also have a responsibility for radio and digital; BBC One Scotland would remain a key service for us. The investment will create 900 hours of original content. That is going to make a big impact and provide Scottish audiences with a range of different genres, including the hour-long news service and what that can bring. We are already commissioning some serious factual pieces and we are close, I hope, to doing some co-funded drama, comedy and factual pieces as well.

We are obviously working with suppliers in terms of the money that is invested directly in the channel. We are bringing other money in. We have green-lit a factual series recently that has brought several hundred thousand pounds in from a distributor, for example. We are working with colleagues in the nations and there are potential co-productions with other broadcasters as well. That should have an economic impact. I think that, ultimately, it is for audiences in Scotland to say that they have found a huge amount of content that they like and which feels relevant to them.

The Convener: My question is for Lorraine McKechnie. You mentioned development funding and said that it is “a rejection business”. When we were in Northern Ireland, the screen agency and the independent production sector told us that one of the really helpful things that the agency was able to assist with was development money, as well as an understanding that that development money would not always result in a production being made because, as you say, it is a rejection business. Would you like the new screen unit to be able to do that? What should its role be in assisting with television development?

Lorraine McKechnie: We have seen huge benefit from looking at slate development. We say to companies, “It is not just about one idea. We will not help fund you for one project that is in development, because that is not sustainable”. We want to encourage growth within the sector and within each independent company, so that the companies become sustainable and get into all-year-round production, because that is when things can start moving. That is what happened with IWC Media and “Location, Location, Location” several years ago, which was transformative for the sector in Scotland. A lot of indies grew from that as well—there was a halo effect, if you like. We think that slate development is the way to reap the most rewards, rather than funding a project that is already in production. With such a project, we would hope that the broadcaster would be able to finance a good chunk, if not all, of it, and then there are options for producers in terms of going for distribution or co-production to get the top-up funding that they require. In terms of growth and sustainability, slate development funding is a really good way to move forward.

Sophie Jones: I would just add that, as Lorraine McKechnie says, development funding is absolutely vital to achieving those long-term goals of genuine, deep-rooted growth. There is also the bigger point that all of us here are focused on delivering UK economic growth, for the UK and for UK audiences, whether that is through investment or portrayal. What underpins that is a very strong, vibrant public broadcasting sector that has multiple players with different business models and different objectives but who all share a common objective, which is to ensure that our UK strengths are as strong as they can be.

We have also heard this morning about the role and influence of the FAANG companies. They represent huge opportunity in many ways and there are some exciting things going on for producers. Interestingly, they are not doing the same things that we are doing: they are not investing in the same types of things, they are not thinking about indigenous audiences in the same way as we are, and nor, I suspect, are they as focused on grass-roots investment to help deliver that long-term growth.

It is important to think about the regulatory structures, but not just in relation to quite specific objectives. We need to think about the big regulatory structures that sit behind us in terms of ensuring that ultimately we are able to generate as much revenue as we can and reinvest as much back as we can in UK-produced content for UK audiences.

The Convener: How will the impact of the screen unit be measured? How would you measure its success?

Bruce Malcolm: I think that the proposal said that the biggest measure will be the doubling of turnover. That is the first measure that has been set out as one of the unit’s objectives.

The Convener: One issue that has been raised is the challenge of data collection in the industry. The Northern Ireland agency sits within the economic development strand, and the head of the agency told us that there is very good data on the sector. The screen sector leadership group has identified a gap in Scotland. Do you agree that that is a problem? If so, how should it be addressed?

Steve Carson: In terms of data, you are right that Northern Ireland Screen is primarily an economic investment agency, and a huge amount of metrics work is done on multiplier effects and so on. The data on spend and quotas is readily available. I take the point about potentially going into deeper data on the Ofcom requirements, but in terms of overall spend and the effects that can happen throughout the economy, that information is readily available.

Bruce Malcolm: It is easy to get broadcasters to participate. We will all participate in supplying information about what we spent, how we spent it and so on. The broader industry, with film and freelancing and with money coming from other sources, is the bit that the screen unit will find it difficult to get a handle on. That will be difficult to capture, I think.

Sophie Jones: I think that that is right, but the emphasis in developing metrics should always be on the outputs rather than the inputs. The emphasis should be more on defining and using metrics that are about economic investment, multiplier effects, employment and so on. However, as has been said, we are well used to sharing that sort of data, and I am sure that we will want to help to contribute, whatever framework is put around that.

Bobby Hain: You need to see the delta effect on the existing data. If you spend too much time developing new metrics and key performance indicators, it is difficult to know what the difference is, whereas there are already trends, imperfect though they may be, in production spend and economic activity that are already established. It is much easier to take a view about what difference an intervention has made over two or three years than it is to start measuring something new that you have no history of.

The Convener: Thank you very much for giving evidence. We now move into private session.

11:09

Meeting continued in private until 11:37.

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