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# A 21st-century gold rush? Video on demand and the global competition for UK television

*Philip Drake*

In March 2019 the United Kingdom’s House of Lords Select Committee on Communications (later renamed Communications and Digital) announced an inquiry into the “future of public service broadcasting in the context of the rising popularity of video on demand services” (House of Lords 2019). As it, and many others have noted, over recent years the linear television broadcast model has been challenged by streaming content from a range of “Over-the Top” (OTT) platforms, both through linear channels’ “catch-up” television services and through video on demand (VOD) platforms like Netflix and Amazon Prime Video. The inquiry drew on wide ranging testimony from across the broadcasting and streaming landscape, including traditional broadcasters such as the BBC, ITV, STV, Channel 4, Channel 5, cable provider Sky, VOD platforms, including Netflix and Amazon, and policy-makers and regulators. From March to July 2019, the committee held a large number of hearings about the impact of the OTT providers of television content on UK public service broadcasting. In this chapter I analyse the committee’s discussions with broadcasters, policy-advisors, VOD platforms and other interested parties, as well as foreground issues raised within the wider context of the production ecosystem of UK television drama. In doing so, I will demonstrate the ramifications for UK television beyond the specifics of public service broadcasting to consider key questions relating to the political economy of television production and television drama in a fast-evolving globalized production system.

## **The changing ecology of UK television and the emergence of the global “super-indies”**

Before turning to the current situation, it is important to outline the nature of the UK broadcasting sector and the significance of its regulatory framework. Until 1982, the BBC – the UK’s public service broadcaster (PSB) – had a duopoly in television broadcasting with ITV, a commercial channel with PSB obligations organized through regional franchises across the United Kingdom and producing programmes for both national and regional audiences. Channel 4, launched in 1982 as a public

service broadcaster funded by advertising and operating as a publisher-broadcaster, broadcast programmes entirely made by independent producers rather than in-house, unlike the other channels. The introduction of Channel 4 helped to forge a commissioning model of externally made productions that became more common in the multi-channel landscape, leading to the rise of a multitude of independent production companies, often specializing in particular genres of television production. Alongside and driving these industry changes were numerous amendments to media regulation and markets (Doyle 2002; Steemers 2004; Drake and Haynes 2010). The most significant regulatory changes for UK television broadcasters and producers were the 1990 and 1996 Broadcasting Acts and the 2003 Communications Act. The 1990 Act, following the 1986 Peacock Report, required the broadcasters to commission at least 25% of output from independent companies. The 1996 Act deregulated ownership of media, albeit with a ceiling on monomedia ownership of 15% of UK audience share, and regional obligations for ITV regions (Doyle 2002, 100–101). The deregulation of media ownership had the effect of vertically integrating the broadcasters, and encouraging cross-media expansion, but also continued to support and grow the independent television production sector. The 2003 Communications Act introduced a single UK media industry regulator, the Office for Communications (Ofcom) and lifted restrictions on cross-media ownership, subject to application of a “public interest” test.

Although the BBC itself remained largely self-regulated during this period, in 2017 Ofcom assumed this role under the 2017 BBC Royal Charter. The 2003 Act significantly reorganized the television value chain, allowing producers/independent production companies to retain secondary and tertiary rights to content, and enabling licensing and exploitation in further distribution windows and markets (including global television markets, sell-through to physical media and, more recently, online). Thus, the economics of television in the UK were transformed and the independent sector expanded in the 1990s in a growing multi-channel environment, though production budgets gradually decreased due to greater competition both for commissions and for viewers, as channels fought for audience share. This growth was possible as the new intellectual property regime allowed independents to retain secondary and ancillary rights to content, and further exploit their ownership of programme rights in new and creative ways. A consequence was the shift from the traditional cost-plus financing production model – where the broadcaster paid for and owned the programme – to one of deficit-financing productions through rights licensing and sales across different distribution windows and territories. This was a significant change in the terms of trade between broadcasters and independent producers which, alongside relaxing of the ownership rules, led to a series of mergers and eventual consolidation in the market towards larger production companies, altering their relationships with broadcasters, including the PSBs (Chalaby 2010).

The BBC itself, under the leadership of John Birt in the 1990s, had introduced an internal market as a cost cutting measure, using the term “Producer Choice” (Born 2004), and from 2007, under Mark Thompson, the BBC introduced the “Window of Creative Competition” (WoCC). The WoCC increased the percentage of programmes open to commission from all suppliers to 25%, on top of the 25% already guaranteed to the qualifying independent sector as part of the Communications Act. In 2011, the BBC commissioned 42% of eligible hours from the independent sector (Bennett et al. 2013, 109). The new Terms of Trade negotiated for this sector with the broadcasters were key to the growth of this sector, and its internationalization, redefining the relationship of the “indies” to the BBC and other PSBs. As James Bennett, Paul Kerr and Niki Strange have argued, “the role of the independent sector in creating much of what counts as public service is often overlooked” (Bennett et al. 2013, 109). By 2014, in preparation and under pressure for the upcoming BBC Royal Charter renewal negotiations, BBC Director General Tony Hall proposed to separate BBC production from broadcasting, removing the guarantee of production work from BBC. This process led to the launch of BBC Studios in 2017 which not only competes for BBC commissions but also produces programmes commercially for other broadcasters (a move mirrored by ITV with ITV Studios) and merged in 2018 with the BBC’s commercial arm, BBC Worldwide, to create a renewed BBC Studios as a single commercially run media production and distribution company.

As production and broadcasting was untethered for the UK’s main broadcaster, greater opportunities arrived for the larger independents (Lee 2018). Driven by the increasing globalization of television production and the rise of television format sales, the UK saw significant consolidation of and increased concentration in the independent production sector, with a number of key independent production companies bought up by emergent “super-indies”. Many of these started out as relatively small UK television companies and, following subsequent waves of mergers and takeovers, emerged as major production houses, often becoming subsidiaries of global media conglomerates. These large producer brands provided reassurance and confidence for commissioning editors because of their track record and ability to take greater risk on projects through risk-sharing across production slates, as well as ability to sell programmes globally and attract in-demand talent. By retaining rights they also exploited the rise in global trade for television formats. Indeed by 2008, the UK was the largest global exporter of television formats (Jäger and Behrens 2009, 8).

The emergence of “super-indies” and even larger “mega-indies” characterizes the last two decades of UK television production (Chalaby 2010, 2016; Esser 2016; Doyle 2018; Paterson 2018). For instance since being founded in 2003 by former ITV executives Steve Morrison and David Liddiment, All3Media has acquired Bentley Productions, North One, Cactus TV, Company Pictures (makers of dramas *Wolf Hall* and *The Missing*), Lion

Television, Lime Pictures, Maverick, Objective Productions, Zoo Productions, Studio Lambert, One Potato Two Potato, Optomen, John Stanley Productions, Little dot studios, Apollo 2 and Neal Street (*Call the Midwife*) amongst others before being taken over by the US Discovery group and Liberty Global, owner of Virgin Media for a reported £550 million. Similarly, Shine was set up in 2001 by Elisabeth Murdoch (daughter of Rupert Murdoch), after leaving Sky, and took over two indies, Kudos – maker of *Spooks*, *Life on Mars*, *Broadchurch*, and other dramas in 2006, as well as *Firefly* and Princess Productions. Shine was bought in 2011 by 21st Century Fox and was merged into Endemol Shine in a \$2 billion venture with 21st Century Fox’s Shine and Core Media Group, producer of *American Idol*. In 2019 Disney bought 21st Century Fox and put Endemol Shine up for sale, and in 2020 the France-based Banijay Group bought the mega-indie conglomerate for a reported \$2.2 billion. Trade journal *Variety* commented that “[t]he merged entity will be the largest non-U.S. player in the market, with a bigger catalogue than the main UK players, BBC Studios and ITV Studios” (Clarke and Keslassy 2019). Freemantle (formerly Freemantlemedia), one of the earliest super-indies, and Tinopolis, starting out as a Welsh language TV production company, are further examples of consolidated super-indies with multiple subsidiaries.

In addition to the consolidation of the super and mega indies were acquisitions by US studios, as well as Studio Canal, a major European player. In 2010, Shed Media sold a majority stake to Warner Bros. and by 2014 it became a wholly-owned subsidiary, changing its name to Warner Bros. Television Production UK. Further examples include the television drama production companies Carnival, producers of *Downton Abbey*, acquired by NBC Universal, Left Bank Pictures, producers of *The Crown* and *Outlander* acquired by Sony Pictures Television, Wall to Wall acquired by Warner Bros. and RED Production Company, a Manchester based indie renowned for dramas including *Queer as Folk*, *Clocking Off* and *Happy Valley* acquired by Studio Canal (Meir 2016; Spicer and Presence 2016). In addition, in 2014 Viacom acquired the digital terrestrial broadcaster Channel 5.

According to research for Ofcom by Mediatique (2015), the number of UK television production companies fell from 450 in 2006 to 250 by 2014, and the ten largest producers in 2014 accounted for an estimated 66% of UK producer revenue, up from 45% in 2003 and 19% in 1993. In addition, the sector saw an influx of international capital. This report also notes the different recognizable categories of indie production companies now existing in the sector – including vertically integrated (often foreign-owned) companies that do not qualify as “independent” under Ofcom regulations, large indies that do qualify as they do not have links to UK broadcasters, and a long tail of smaller indies, a few owned by broadcasters and non-qualifying and the rest qualifying as independent for broadcaster quotas (Mediatique 2015, 4).

By 2014, in his MacTaggart Lecture at the Edinburgh Television Festival, the chief executive of Channel 4, David Abraham, warned of this trend: “Our independent sector, built up and nurtured over decades, is being snapped up almost wholesale and acquired by global networks and sold by private equity investors. It is estimated that soon the proportion of turnover of UK production that will qualify as “independent” will drop from 76% to around 50%. The term “super indie” has, in effect, become redundant” (2014). What is evident from the mergers and acquisitions described above, and the deregulation of the UK television industry, is that newly emerged big players can exercise significant market power, and – for reasons I shall explore in detail below – are able to circumvent the traditional broadcasters to make content to sell to the highest bidder. Richard Paterson argues this is especially so for television drama due to costs of high end production and talent, and that the global orientation of the super-indies also impacts on the content made, stating that “for drama production the fitness landscape remains less robust than for other genres, with a near oligopoly emerging among the consolidating super-indies, albeit with both ITV and the BBC still active, and the frequent establishment of new companies [...] the cost pressures of production have encouraged a move to globally- rather than locally-targeted programming” (Paterson 2018, 26).

During the period 2013–2019, UK television production saw dramatic expansion, especially in terms of “High End Television” (HETV), dominated by television drama produced by the indies for a range of broadcasters and OTT services. The overall UK production spend for HETV in 2019 was £1,665 million, a 29% increase on 2018 (BFI 2020). Of this, the spend on co-productions and inward investment HETV was £1,294 million or 78% of the total spend, a 51% increase on 2018 and the highest HETV inward investment and co-production spend ever recorded. The vast majority were inward investments with very few co-productions, and most with US partners. Inward investment productions are substantially financed and controlled from outside the UK, and attracted to the UK because of production requirements, the UK’s infrastructure or UK tax reliefs, and count as UK HETV programmes through their UK cultural content and passing the cultural test (BFI 2020, 8).

Part of the reason for the boom that can be seen in Table 5.1 has been the range of policy supports to stimulate HETV production, including the High End Television Tax Relief (HETR), introduced by the government in 2013 for scripted television of at least £1 million per hour (and therefore mostly used for drama). This offers producers a tax relief of 25% of qualifying expenditure (80% of total spend so 20% of overall budget) via a cultural test administered by the British Film Institute or through eligibility as a recognized co-production (Hammett-Jamart, Mitric and Redvall 2018; BFI 2019). The cultural test for high-end television is points-based, with sections relating to content, cultural contribution, location, and cast and crew, and projects need to achieve at least 18 from a possible 35 points.

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<i>Year</i>	<i>Number of final certifications</i>	<i>Total budget (£ million)</i>
2014	44	326.9
2015	58	464.7
2016	83	911.5
2017	103	935.1
2018	99	1,406.30

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Source: DCMS, BFI from BFI Yearbook Dataset 2019 (2019).

In summary, the boom in the production of high end TV drama in the UK presents a “gold rush” driven by (a) consolidation of the independent sector through mergers and acquisitions of UK indies to create super-indies, (b) generous tax credits introduced by the government in 2013 to incentivize production spend, (c) the deregulation of the sector in terms of ownership, rights and increased requirement for the PSBs to commission productions from external providers, and (d) the increased demand for content driven by global inward investment into the super-indies and the OTT providers or “streamers”. I shall now turn to the latter – the impact of the OTT video on demand platforms on the production ecology of UK television drama.

### **The rise of the streamers: TV drama in the era of VOD, OTT, and aggregators**

Just a decade ago, as broadcasting platforms the VOD services Netflix and Amazon Prime were in their infancy. The UK was well-established with multi-channel television via digital terrestrial television (launched in 1998), satellite television (launched as a full digital multi-channel service in 1998) and cable television (also emerging in the mid-1990s with Telewest and NTL) but OTT platforms were in their emergent phase. Netflix, starting out as a US mail-order DVD service in 1997, only launched as a subscription VOD service in the UK in 2012 (alongside Ireland, as its first European markets). At the time the major players in VOD were the catch-up players of the major broadcasters – especially BBC iPlayer (launched at the end of 2007 as an on-demand seven-day archive of radio and TV programmes), ITV Player (launched 2008 – now ITV Hub), 4oD (launched 2006 – the first broadcaster in the world to launch a VOD service – now called All 4). The main DVD rental service was LoveFilm, founded in 2002 and acquired by Amazon in 2011. Launched as a VOD service in the US in 2006 Amazon revamped the UK platform and in 2014 relaunched it as Amazon Prime Video, bundling in basic access to Prime members (those customers who paid for enhanced membership and free postage of Amazon products). The past decade has thus seen a major shift in the technological delivery of TV content, especially in secondary windows – moving away from physical media (with DVD and BluRay sales declining) towards OTT media content (McDonald and Smith-Rowsey 2016; Lotz 2017; Jenner 2018; Johnson 2019; Lobato 2019). As a PSB, the BBC innovated in rolling out the use of iPlayer which dovetailed with the wide-spread adoption of broadband internet in the UK (Johnson and Grainge 2018). As it happened, the BBC originally proposed a collaborative VOD platform, called Project Kangaroo, in alliance with ITV and Channel 4, back in 2007. Kangaroo would have allowed users to have purchased content from the large back catalogue of those channels as well as watch catch-up television but was blocked by the UK’s Competition Commission. This was a key regulatory decision by the UK market regulator. The Competition Commission prevented an online



VOD platform that would have offered audiences the ability to access the OTT television services of all of the main broadcasters via one platform and instead regulators chose to open the market to global competition.

There has been an especially rapid uptake of the major SVOD services in the UK, as the market matured and consolidated, with two market dominant VOD platforms Netflix and Amazon Prime Video. According to an industry report by Ampere, commissioned by Ofcom, by the first quarter of 2019 78% of UK households watched VOD services – including Broadcasting VOD (BVOD) and SVOD, far higher than in other European markets (Ampere 2019, 6). Claire Enders of Enders Analysis also points out the different economic models at play in the major SVOD businesses as compared to traditional broadcasters or independent production companies:

[They] have, in British PSB terms, infinite resource, and each is heavily or entirely subsidising video activity. They are competing with each other for control of the global consumer future, which no PSB could ever dream of. [...] None of the USA SVODs appear to have any intention of operating a conventionally profitable model. Netflix for instance operated on negative free cash flow of \$3bn in its last results in contrast, ITV's recent profit after tax was £600m (Enders 2019, 1).

Whilst the contrast is stark, it is important not to overplay the significance of the OTT platforms in terms of current audiences. Reed Hastings (2019), founder of Netflix, has famously stated that the competition for Netflix is “sleep”. Linear television remains resilient and the most popular way to consume television for the majority of the UK audience, at more than two thirds of viewing (Ofcom 2019). However, this linear viewing is weighted heavily towards older viewers and the younger viewing audience is moving away from the long-established habit of traditional linear viewing and national broadcasters. Ofcom's *Media Nations: UK 2019* reports that 16–34 year olds watch twice as much VOD content as the overall adult audience (52 minutes compared with 26 minutes) (Ofcom 2019, 18). For 16–34 year olds, SVOD watching did not exceed the watching of live television (at 83 minutes) or YouTube (64 minutes) but has been growing rapidly (Ofcom 2019, 4). Furthermore, this group spends only two minutes watching BBC iPlayer each day compared with 40 minutes on Netflix (House of Lords 2019, 3). This is mirrored by the growth in SVOD subscriptions. Ofcom analysis shows that the number of UK households with access to SVOD service doubled from 2015–2018 with 47% of UK households subscribing to a SVOD service (Ofcom 2019, 60). These are concentrated on the two major OTT platforms – Netflix and Amazon Prime Video – with 11.5 million households (40% of all households) subscribing to Netflix and 6 million subscribing to Amazon Prime Video.

According to Netflix's own figures, it has around 170 million subscribers globally, and is the largest SVOD service in the UK (Netflix 2019). It

dominates the UK VOD market alongside Amazon (both part of the so-called FAANG – Facebook, Amazon, Apple, Netflix, and Google). Due to the global reach and variety that streamers such as Netflix and Amazon are able to provide (alongside aggregators such as YouTube), there are significant challenges faced by PSBs in reaching younger and more diverse audiences – with viewings of BBC channels by 16–34 year olds halved since 2010 (House of Lords 2019, 3). The analysis of Ofcom predicted this by concluding in 2015 that “it may be increasingly difficult for PSB channels to maintain their current large audiences to their own platforms in the face of competition from global online platforms” (Ofcom 2015, 17). As global players, VOD platforms such as Netflix and Amazon Prime Video are disruptors – they can *create* but also *alter* markets, potentially using bidding power to price out traditional nationally based public service broadcasters in the production of high-end television drama as well as segment audiences making particular demographics harder to reach.

All of this has a spatial, political and cultural dimension too. In the UK, television production spend is still heavily weighted towards London and the South-East, notwithstanding important production centres in Manchester, Bristol, Cardiff, and Glasgow (Drake 2013; Lee 2018; McElroy and Noonan 2019). The requirement for PSBs to allocate a greater proportion of production spending in the nations and regions to fulfil their licence requirements is not shared by the OTT providers who are not substantially regulated by Ofcom. This places the OTT providers and independent sector at an advantage, able to manage inflated costs of large-scale productions such as returning series for SVOD through ownership of global rights, and to leverage national or regional incentives to move to any global production locale. Currently without its own UK studio, Netflix announced in 2019 that it planned to create a production hub at Shepperton studios near London, owned by Pinewood. The growth in, and competition for, prestige HETV productions, and production facilities to make them, has significant impact on both national and regional economies and cultural identity in the UK too. Notable examples include the long-run production of *Game of Thrones* in Belfast (2010 to 2018) and *Outlander* near Glasgow (2013-), both areas that have leveraged the shows to boost tourism.

In a panel discussion, UK CEO of Studio Canal and Founder and CEO of RED Production Company, Nicola Shindler, argued that the streamers presented a challenge, reflecting not only on their impact on production budgets but also on the kinds of television that can get produced:

Technology has developed streamers, and streamers are very profitable, and so much money has been pumped into television, that now television budgets have gone to *ridiculous* levels just for your basic TV programme, which means that where I was able to make local Manchester stories as well as bigger stories that were going to travel, for a reasonable amount of money that would go on the BBC or ITV... and

we'd make them for a certain amount of money and they didn't have to sell internationally, and so I could tell small stories, I could tell brilliant stories, I could tell stories about people who weren't getting on television or, you know, stories that just didn't feel global. I can no longer do that because every budget in television has got to be over £1 million per hour, has got to be a certain level, so therefore people want less individual stories and much more...the call is for stories that are global. As soon as you do that you lose authenticity. So I think that for my industry in particular, technology has made it *more* difficult to tell small, personal, individual, local stories. Which is a shame (Shindler 2019).

McElroy and Noonan make a similar distinction, between local production and local drama, and emphasize the cultural significance of television drama, arguing for a “renewed political approach to television drama production that re-centres questions of power in the analysis of whose stories are made and how they do, or do not arrive on our screens” (McElroy and Noonan 2019, 4).

Alongside the reduction in relative market power of PSBs, and the rise in OTT platforms, there is also the rise of transnational TV broadcaster-distributors such as Sky and HBO, who are also competing for drama productions and talent, increasing demand for commissioned content. Netflix spent \$15 billion on content in 2018 and was expected to spend \$18 billion in 2019. This means that cost per hour exceeds that possible for regional or national broadcasters, reportedly spending as much as £15 million per hour on high end drama (House of Lords 2019, 9). In the UK, Netflix planned to spend over £400 million in 2019 on around 50 projects, one of its top three production countries globally (Netflix 2019). Whilst this does allow for co-productions with UK broadcasters, it also allows them to be outbid, and for SVOD platforms to retain global exclusive rights to exploit, cutting out national broadcasters completely. An example of this is the production costs of *The Crown*, commissioned by Netflix from a formerly independent production company, Left Bank Pictures, now owned by Sony, which was reported to have cost Netflix \$100 million to make the first ten-part season – a figure that a national broadcaster would have been unable to match. As a consequence, UK national broadcasters are in danger of being circumvented domestically by mega-indie production companies owned by conglomerates, with investment in production being commissioned or acquired directly by OTT providers, then operating as content aggregators through global rights acquisition. By cutting out the broadcasters and reconfiguring the television production value chain, the VOD platforms can negotiate directly with producers, and in this unregulated space can use their market dominance to commission TV shows with global rights, effectively squeezing out broadcasters and instead marketing programmes as their own original content – for example “Netflix originals” that have been acquired by Netflix via rights acquisition. An example of this was

*Black Mirror*, originally developed by Endemol Shine in 2011 for Channel 4, where it ran for two series. The rights to *Black Mirror* were acquired by Netflix in a reported \$40 million deal – outbidding Channel 4 – and Netflix commissioned further seasons, leaving Channel 4 without the programme in which it had taken risks and developed into a success.

As 2019 drew towards a close, Netflix appeared in the headlines of several UK national newspapers. “Netflix rakes in £700 million from UK subscribers and its hit shows are household names, so why doesn’t it pay any tax?”, asked David Parsley of the *Independent*, in a headline typical of the articles. These reported how Netflix had been given a £51,000 tax rebate by UK government in 2018. Despite the significant increase in subscribers year on year, the tax arrangements of Netflix, alongside Amazon (also much criticized for the low levels of tax paid in the UK) were calculated not by reference to the country where revenues were generated, but by their registered office – Netflix’s in the Netherlands and Amazon’s in Luxembourg – thereby not falling within the UK jurisdiction for tax or regulation.

### **Conclusions: UK TV drama production in an era of global aggregators**

The analysis has demonstrated how the OTT platforms, operating as content aggregators alongside the large “super-indies”, have significantly changed the production ecology of UK television drama. The so-called “warehousing” of television rights that was previously the domain of the national broadcasters in the pre-2003 era of cost-plus commissioning has now been assumed by the indies and OTT providers, but operating in a largely deregulated global market rather than within the UK’s nationally regulated broadcasting environment. This has meant that UK national broadcasters face increased competition not only for *audiences* but also for *production*: competing for ideas, talent, and production capacity. The consolidation of the independent television sector, alongside the globalization of UK television production, has led to greater concentration in the production sector and with it increased concerns about market power, regulation, and the protection of national PSBs. By 2014, seven of the ten largest UK television producers were owned by large foreign media corporations (Ofcom 2015, 2), and the top ten producers accounted for an estimated 66% of all UK producer revenue, up from 45% in 2003 (Mediatique 2015, 13). Tom O’Regan, writing 20 years ago, was optimistic: “it is hard not to see British television as a significant beneficiary (alongside the US of course) of the economic benefits stemming from the co-ordination and separation of distribution media that is implicit in the new release schedules for product. An increasingly integrated media ensemble of cinema, video rental, sell-through, pay-per-view, premium pay, basic pay TV, free-to-air, and product spin-off in CD-ROMS, interactive games, and books should on balance benefit British producers in their international markets” (O’Regan

2000, 321). Whilst UK production is indeed booming, and enjoys a linguistic advantage in terms of access to a large global market, the lack of a level playing field in terms of trade and regulation has the potential to undermine UK broadcasters, and, as Nicola Shindler outlined above, means that the UK industry is less able to make and therefore to tell “small, personal, individual, local stories” (Shindler 2019).

In this chapter I have offered an analysis of the historical development of the television drama production sector, highlighting recent industrial disruption and a series of key changes which have accelerated in the past five years. I have explored the direct and indirect effects of the acquisition of UK indies by global conglomerates and the increased market concentration in television production. This raises a number of issues for further research. First, we need to research the longer-term consequences for UK television (both in terms of cultural output and as an industry) of the rise of the OTT platforms and their new function as television content intermediaries – super-aggregators that can bypass the traditional UK broadcasting value-chain and regulatory ecosystem. Second, as OTT platforms operate within but from outside the nationally bounded broadcasting and regulatory environment, we need to consider if they also require appropriate regulatory frameworks, perhaps regarding market concentration or rights acquisition. Finally, in the context of a booming HETV production sector, further analysis is needed to examine the impact and appropriateness of UK tax subsidies that help finance high-end (£1 million per hour plus) television production for global OTT platforms, and avoiding a “zero-sum game” competition war of subsidies with other nations. Supporters of the UK’s HETV tax relief argue that the Gross Value Added (GVA) means that every £1 invested returns £6.1 in increasing jobs and spend in the industry (Olsberg SPI and Nordicity 2018, 22) However, in the absence of regulation of OTT providers, its critics argue the tax relief could be better targeted in terms of regional spend, addressing skills gaps and supporting smaller local productions.

In addition, there are the wider, changing UK political contexts to be considered in relation to the television production ecology. The UK general election of December 2019 replaced a minority with a majority Conservative government which took the UK out of the European Union and into a transition period. This opened up a political space for attacks on the BBC (and, to a lesser degree, Channel 4) as PSBs. Alongside allegations of news bias and attacks on the BBC’s funding and licence fee – notably the decision forced on the BBC, driven by cuts, not to fund free television licences to all over 75s – the government indicated that BBC funding via the licence fee should be up for review, with some voices even advocating a subscription model using the SVOD OTT platforms as examples. Despite the wide-ranging House of Lords report, the newly elected government appears to be less committed to the future of public service broadcasting. This has led to a perfect storm for UK broadcasting: a rapidly changing television landscape, PSB under attack, political opportunism, rising costs and changing

viewer behaviour. Alongside this are potential changes to terms of trade for European co-productions that might take place in the event of a “no-deal” Brexit, the uncertainty around application of the revised AVMS Directive (requiring 30% of content on VOD platforms to be European), and the need to service a diverse range of audiences with younger viewers turning away from linear television channels. The BBC has scale and strong public support, and is expanding in VOD (with the roll-out of BritBox) however it also faces significant opposition, with the licence fee under threat of significant reform for when the Charter expires in 2027. It is hard to imagine the UK broadcasting ecosystem from 2020 to 2030 will not undergo even more dramatic changes than those that have taken place over the previous decade. The challenge, for the diverse global production ecology of UK television drama, will be to ensure retention of a relevant high quality public service broadcasting and plurality of media serving the UK public, supported to thrive and to be creatively ambitious, alongside enabling an appropriately regulated commercial sector and a regulatory and market framework that keeps pace with global competition and industrial, technological and consumer change. In debates about UK television production, the OTT platforms are not only technological and industrial disruptors, but also shift the discourse of what we understand – at the current time – as “the television industry” itself.

## Coda (April 2020)

Global shifts beyond television also impact the everyday business of television production. As this chapter goes to press, the UK is, like many countries across the world, experiencing the impact of the 2020 Covid-19 coronavirus pandemic and government measures to control the virus through measures to limit activities requiring human contact. Netflix and similar OTT platforms are likely to report significant growth in subscriptions and audiences, as measures to control the virus force people to spend more time at home and therefore likely to choose to consume more streamed content. However, the majority of the cultural sector, and TV production itself, has been significantly affected by closures, impacting on the precarious, often freelance work of many people that make up these industries and their businesses and lives - a reminder of the wider human impact of industrial and political actions.

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