

The Heart of Digital Wales:

a review of creative industries for the Welsh Assembly Government.

By Ian Hargreaves

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1. Summary

The Creative Industries Strategy adopted by the Welsh Assembly Government (Assembly Government) in 2004 arose from the belief that this is a sector of exceptional importance for Wales. The creative industries sector is currently identified as one of six strategically important sectors for the Welsh economy, alongside bioscience, health, financial services, automotive and aerospace. In addition, the sectoral approach adopted by the Government names telecommunications and ICT as one of three core or enabling sectors. A working assumption of this review is that the future of the creative industries cannot be properly understood or shaped without close reference to the country's digital communications infrastructure and the broader digital economy.

According to Digital Britain, the UK Government's framework for policy in this area, one tenth of UK economic output is accounted for by the digital sector. Wales will only succeed in this dynamic area of the economy if it sets its own policy framework, supported by the right institutional arrangements, to help nurture creative businesses within Wales.

The Assembly Government has had a creative industries strategy since 2004. Elements of this strategy, which place a strong emphasis upon supporting the exploitation of intellectual property, have been imitated elsewhere in the UK. It is also clear, however, that the 2004 strategy has failed to establish a sufficiently coherent strategic approach to the creative sector and that this has resulted in some loss of confidence in the Assembly Government's activities. This review identifies gaps in the 2004 strategy's sectoral coverage and proposes ways of refreshing the strategy and improving the machinery used to establish strategic direction and deliver more effective business support. The aim is to build upon what is sound.

The current review confirms the importance of the creative industries sector at a time when Wales' economic performance continues to suffer from relative over-dependence on sectors that deliver relatively low levels of added value. Across the UK, creative industries grew at a rate of 4% a year between 1997 and 2006, against average UK economic growth of 3%. The strongest drivers of this out-performance were digital media such as video games.

The review also notes the Deputy First Minister's Economic Renewal Programme, designed to target resources where they will have the highest impact, along with the Assembly Government's emerging strategy for the digital economy, known as Digital Wales. Both of these developments are important for the success of Wales' creative industries.

Wales, however, also needs to be realistic. Not every nation and region of the UK can establish a leading creative industries presence and Wales, although it has historic strengths in music and broadcasting, does not start out in a front rank position. Indeed, without a sustained further effort now, there is a serious danger that Wales' relative position in creative industries will weaken in the coming years. It is also important to bear in mind that the role of Government in nurturing any sector of business is strictly limited: in the end, success is the result of the efforts of individual businesses, supported by Government, not directed by it.

The review identifies a number of actions designed to boost Wales' prospects. These include: ensuring that the creative sector's needs are fully looked after in the broader Welsh approach to the digital economy; making sure that the Assembly Government works as effectively as possible with the Westminster Government (which oversees most public funding for the creative sector); and ensuring that the Assembly Government's own direct interventions are well directed and delivered with high impact across the whole creative industries sector. The review proposes radical changes to the way that creative industries policy is handled and delivered by the Assembly Government and proposes a new Creative Industries Fund to replace the current Creative IP Fund. It calls for the establishment of a Digital Wales Board and a Creative Industries Board, both to be led by an experienced individual from outside Government. It also proposes a serious overhaul of business support services to the creative industries.

Because creative industries policy operates in a space which involves the pursuit of cultural as well as economic goals, a strong creative industries policy also requires a highly effective partnership with public service broadcasters and arts institutions, along with the bodies that fund them. That in turn calls for sharply improved working across departmental boundaries at all levels within the Assembly Government and for a new compact between the Arts Council of Wales and the Creative Industries Strategic Hub proposed in this review.

The review's specific recommendations are identified in bold type as they emerge in the text that follows. They are then re-grouped in summary form at the end of the report.

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2. Terms of Reference and Methodology

The terms of reference for the review were set out by The Deputy First Minister and the Minister for Heritage in July 2009. Almost 50 organisations and roughly one hundred individuals have been directly involved in discussions about the review. Each was invited to contribute either on an open or confidential basis; several chose to make a mix of open and private comments. A list of stakeholders consulted is at appendix 1 and links to a number of written contributions are provided in footnotes to this document or as appendices. Discussions took place between September 2009 and January 2010. I am grateful to everyone who took part.

Following reflection on the terms of reference with the two Ministers and senior Assembly Government officials, it was agreed that the review should aim to produce by early 2010 a relatively concise document making clear and practical recommendations for action. This would require a focus upon the most important aspects arising from the terms of reference and would not allow for the commissioning of lengthy (and costly) new studies into the sector. The only piece of research commissioned by the review was an assessment of creative industries strategies in other parts of the UK. This reportⁱ cost £5,000 and represents the only cash cost to the Assembly Government arising from this review.

The terms of reference for the review in full are as follows:

- (i) **To consider how we can maximise the economic and social benefits the creative industries bring to Wales:**
- To conduct a broad exercise of market sizing and review the market opportunity for Wales for all segments of the creative industries sector.
 - Building on previous work in this area, including the Assembly Government's existing Creative Industries Strategy, to consider the effectiveness of the Assembly Government's internal and external linkages (including Creative Business Wales, the Film Agency, the IP Fund, and the Welsh Music Foundation) to:
 - o deliver sustained commercial growth in the sector.
 - o ensure the output of the sector best serves the economic, social and cultural interests of the people of Wales.
 - To advise the Assembly Government on:
 - o the creation of an action plan for this key sector, identifying strategic priorities for the future.

- o responding to the recommendations and the implications of the Digital Britain report for the Assembly Government's policy on broadcasting and the creative industries, including the implications for Wales of programmes being administered at a UK level.
- o how to take forward skills development for and within the sector, taking into account existing sector skills priorities.
- o how to ensure that the sector is in the strongest possible position to bring about long term sustainable growth – taking into consideration the converging capabilities of TV, music, interactive media and film and the economic and cultural advantages of securing network commissions.

(ii) To carry out a review of the IP Fund in respect of the following:

- To what extent is the Fund successful in supporting long term sustainable economic growth in Wales?
- To what extent is the Fund successful in helping creative companies in Wales retain and exploit more commercial IP?
- Could the money put into the Fund be better used to support the retention and exploitation of creative IP from Wales?

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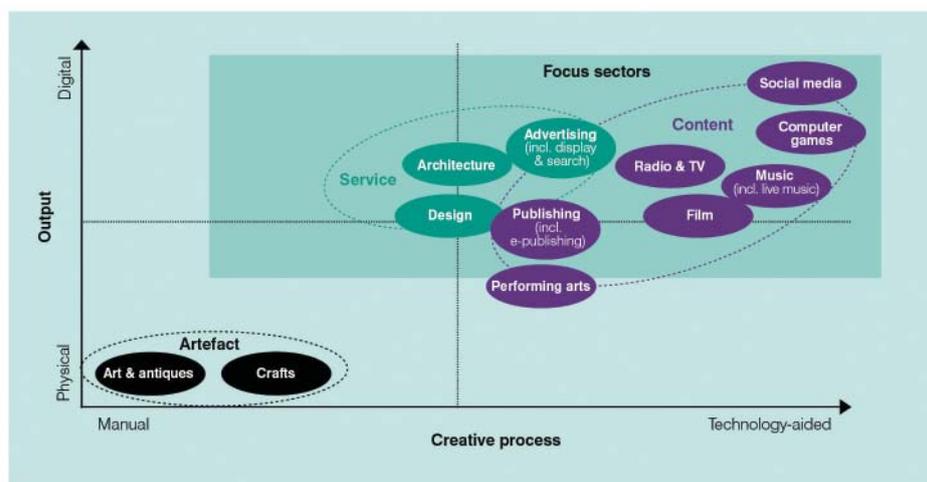
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3. Market Context and Background to the Review

The term “creative industries” was first adopted in the context of UK policy by the Department of Culture, Media and Sport (DCMS) in 1998. DCMS defined the sector as comprising “those activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.” The sector was seen as having 13 sub-sectors: advertising, architecture, crafts, music, design, fashion design, computer games, performing arts, TV & radio, publishing and software.” More recently, the Technology Strategy Board of BIS and DCMS has proposed adding an additional sub-sector: social media, reflecting the growth in social networks such as Facebook and Twitter.

The Technology Strategy Board recognises that not all of these sub-sectors are equally driven by digital communication technologies, as indicated in the illustration below. The chart, however, accurately identifies the fact that even those creative activities which are very old, such as opera and theatre, are today experiencing huge opportunity from digital networks, at the same time as many creative businesses, such as recorded music companies and news providers, are suffering significant disruption to their business models by the availability of high speed, global, digital and often illegal file sharing.

Technology Strategy Board approach to Creative Industry sector segmentation



The UK Government estimates that, together, these creative industries account for £60bn a year or seven per cent of UK economic output, supporting two million jobs. The highest growth rates within the creative sector in recent years have been in software, computer games and electronic publishing. Annual UK exports in the sector overall amount to £16bn (2006 figures). According to NESTAⁱⁱ, the UK creative economy

grew at an average of 4 per cent a year between 1997 and 2006, compared with 3 per cent a year for the UK economy as a whole. NESTA forecasts that this relative over-performance will continue, despite shocks during the recession caused by losses of advertising revenue to sub-sectors such as television, radio and publishing. The damage done to some business models by decreased control over intellectual property rights and increased access to “free” content is offset by digital’s impact on the growth in consumption of creative content.

DCMS sees the UK as a global hub for creative industries, taking advantage of the reach of the English language and a strong legacy in areas such as fashion, architecture, music, design, print, television and radio.

Against this background, the 2004 Wales Creative Industries strategy set out to accelerate the growth of creative businesses in Wales by selective public investment in creative businesses on commercial criteria, improved training and by more expert and better targeted business support. It envisaged building upon Wales’ strengths in creative sub-sectors such as music (The Eisteddfodau, Bryn Terfel and Tom Jones to the Manic Street Preachers and Duffy); television (Dr Who, animation and a substantial production sector built up around S4C) and the success of fashion companies like Laura Ashley, Toast and Howies. Wales has the advantage of enjoying both a distinctive place among Celtic cultures along with the global advantages of the English language. Geographically, South Wales is two hours by rail from the global creative hub of London (the strongest such hub in Europe) and North Wales is equally well placed with regard to the growing media hub in Manchester. Wales also has distinctive educational assets in creative industries, such as Cardiff University’s School of Journalism, Media and Cultural Studies, the oldest journalism school in the UK, and Newport’s new Institute of Advanced Broadcasting, which builds upon a long tradition in film.

In spite of all the activity prompted by the 2004 strategy, Wales’ approach to the creative industries remains a work in progress. For example, the precise size and shape of Wales’ creative industries sector is still not fully mapped. Based mainly upon data from Sector Skills Councils, our best estimate is that creative industries account for between 22,000 and 30,000 jobs (between 1.7 and 2.3% of total employment in Wales) and contribute between £450m and £500m to annual Welsh economic output: 1-1.1% per cent of the total. This data, however, cannot be relied upon.ⁱⁱⁱ Some of the gaps in it can be explained by the fact that no single unit within the Assembly Government has the job of establishing and maintaining a creative industries data base. I asked, in line with the terms of reference for

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this review, for the necessary data to be compiled and coded in a way that would make it compatible with UK Government sector and job classifications. That task is now in hand.

Recommendation: The Assembly Government should make arrangements to map Wales' creative industries, including all 14 sub-sectors tracked at the UK level by DCMS and the Department for Innovation, Business and Skills (BIS). Without this data, it will not be possible for Wales to devise a credible strategic approach to the economic opportunities involved or to evaluate the impact of policy in relation to other parts of the UK.

At the UK level, policy towards the creative industries sector is rapidly evolving. DCMS and BIS, which together oversee policy on media, cultural issues, sport, business, economic development, innovation, training and universities, have gone to considerable lengths to instigate a cross-cutting policy framework.

This resulted in Digital Britain, the review led by Lord Stephen Carter, formerly Chief Executive of the converged media and telecommunications regulator Ofcom, who, from his position in the House of Lords, led a cross-departmental team from BIS and DCMS, supported by a range of industry experts, to develop a policy framework published in June 2009.^{iv} Aspects of this programme are contained within the Digital Economy Bill currently making its way through the UK Parliament. It remains to be seen how robust this cross-departmental working will prove in the future, not least in the light of the imminent General Election, but Digital Britain sets out a strategic agenda of great importance for Wales. It includes:

- Building out a high-speed broadband network, wired and wireless, including to the "final third" of the population currently under-served (and disproportionately so in Wales);
- Better access to digital resources for poorer households;
- Enhanced provision for and access to digital skills;
- Identifying those sectors where public intervention is not merited because the market is already working satisfactorily;
- Extending the powers of the regulator, Ofcom, to include "encouraging investment as a means of furthering the interests of consumers" alongside its existing statutory duty to promote competition where appropriate;
- Completion of the DAB digital radio infrastructure by 2015;
- Strong policies to protect intellectual property from piracy;

- Major new initiatives (worth £40 million) to drive collaborative and pre-competitive research and innovation (in addition, the UK research councils “will invest £130m over three years in a co-ordinated Digital Economy Programme”);
- Consideration of the tax regime for the computer games industry;
- Policies to determine the future size, shape and governance of the BBC and Channel 4;
- Support for the three pilots (including one in Wales) to test the viability of a new generation of News Consortia, to fill the gap left by ITV’s retreat from regional news and to exploit new opportunities in on-line news services;
- Policies to embed ICT and creative skills in the (English) schools curriculum;
- New measures on internet safety and data protection;
- Initiatives to promote further delivery of public services on the web, through procurement, commissioning and with the UK Government as “a strategic hub for the development of Britain’s future digital strength;”
- Working out a transition towards Government use of “cloud computing”;
- Unlocking so-called “orphan” or long warehoused rights;
- A new Digital Delivery Agency to take forward the work of digital switchover, next generation broadband and other issues.

The executive summary of the Digital Britain report closes by acknowledging that “the Digital Britain agenda encompasses a broad spectrum of policies, some of which are the responsibility of devolved administrations. Not all the initiatives referred to in the report, therefore, are UK-wide. The UK Government hopes to work in partnership with the devolved administrations to deliver a successful digital economy across the UK but recognises that for some policy areas, such as education and some public services, a different approach may be taken in different parts of the UK.”

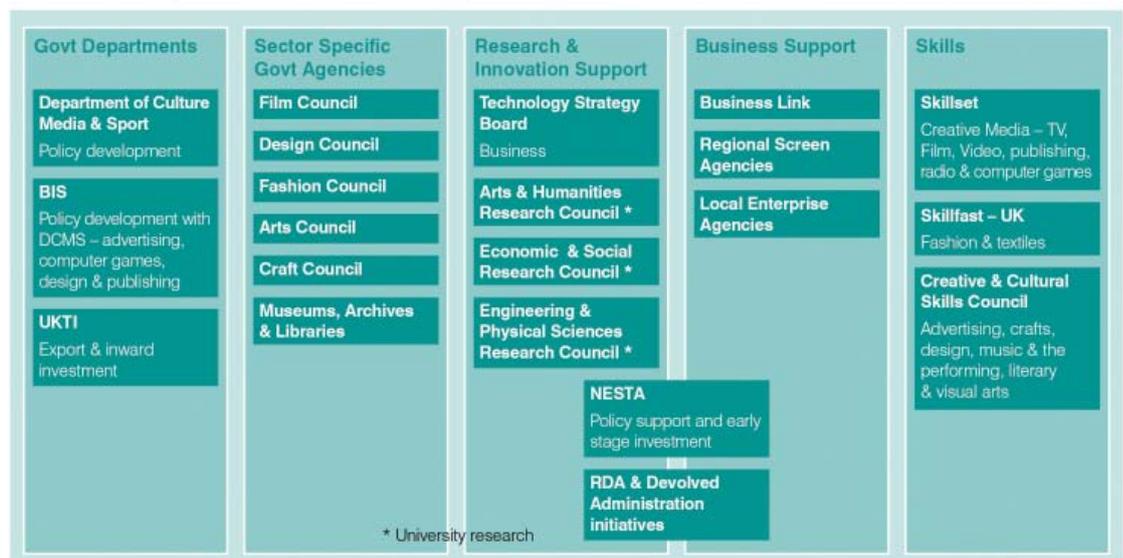
From a Welsh point of view, it is vital to ensure that this partnership works to deliver a fair share of resources attached to UK-wide programmes, with 5 per cent of any UK programme (based upon Wales’s share of UK population) a fair rule of thumb.

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It is interesting to note the chart below, taken from a recent UK Government Technology Strategy Board report showing the range of publicly funded agencies at work in what is called “the support landscape for the UK creative industries.” It indicates the extent of expertise and influence the Assembly Government needs to bring to bear to pursue its goal of promoting a sector of high strategic importance to Wales.

Schematic of the UK public sector funded innovation support landscape for the UK Creative Industries sector



Digital Britain was itself built to a considerable extent upon an earlier piece of work: Creative Britain – New Talents for the New Economy, which appeared in 2008 and bore the signatures of six UK Government Ministers, as well as that of the Prime Minister. It sets out 26 specific commitments, with the goal of ensuring that “the creative industries move from the margins to the mainstream of economic and policy thinking, as we look to the jobs of the future.”

These commitments extend through education at all levels, research, knowledge transfer, access to funds, business support, apprenticeships, intellectual property rights; clustering; diversity; the role of the Arts Council of England; broadband; live music venues; marketing; festivals and events. It also established cross-departmental mechanisms designed to keep the strategy fresh and sustainable.

Recommendation: The Assembly Government (through the new machinery specified below) should ensure that it is well positioned to extract maximum value from the UK Government’s Digital Britain and Creative Britain programmes, along with other and future UK-level initiatives designed to support creative industries and the digital

economy. The Welsh Affairs Committee of the House of Commons, working with the National Assembly for Wales, should be asked to conduct regular audits of the impact of UK spending on creative industries and the digital economy in Wales in order to safeguard the Welsh interest.

4. Assembly Government's Response So Far to the Creative Industries Challenge

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Since identifying creative industries as a sector of strategic importance in 2004, The Assembly Government has taken a number of important steps. These include:

- The launch in 2004 of "Creative Success: a strategy for creative industries in Wales"^v
- "Enabling a Digital Wales: the Welsh Assembly Government's ICT Strategy for Wales." This piece of work was nearing completion at the time of this review.

The 2004 Creative Industries Strategy built upon the sectoral approach already in place for the automotive and aerospace industries. It focused initially on film, television, new media and music, with the intention (never realised) of extending its reach to other parts of the creative industries cluster later.

The strategy initiated three tracks of activity: a £7m Creative Intellectual Property Fund, designed to secure work for Wales and its creative businesses; a more strategic approach to providing appropriately skilled business support for creative industries and better targeted training and education. Heavy emphasis was placed upon the value of bringing industry expertise to bear upon both the formulation of policy and the delivery of services. The strategy called for a "hub and spoke" approach within the Assembly Government machine, with a hub, advised by a panel of experts, providing direction, connected to spokes dedicated to particular creative industry sub-sectors, employer-led where possible.

The IP Fund was quickly established, overseen by an experienced investment committee, and considerable strides have been made to improve training for some creative sectors, but the other key elements in the plan proved more difficult to establish. The proposed panel of experts never materialised, amid differences about the merits of locating the new creative industries hub inside or outside of the Assembly Government. In short, the new hub failed to acquire the authority needed to define a strategic course, against which it could then have evaluated progress. Creative business stakeholders, led to expect an integrated approach to investment and business support, were disappointed. Today, stakeholders are very critical of the performance of the Assembly Government in delivering business support services to the creative sector.

In the last year or so, there is some evidence that Assembly Government officials have succeeded in getting the system to work better – for example by ensuring that Assembly Government funding to support research and development can be more easily accessed by creative businesses. Another illustration is the way that the Assembly Government delivered a financial support package to encourage

Hartswood Films, a leading UK television drama producer, to establish a production office in Cardiff to build upon its high profile three-part drama series Sherlock for the BBC. But the overall approach still lacks clarity of strategic purpose and clear accountability for effective delivery of business support.

The ICT strategy is, at the time of writing, nearing completion. Its stated objective is to “provide a Welsh perspective on many of the issues raised in Digital Britain”, formulating “a vision for Digital Wales, emphasising strengthening business, network infrastructure, inclusivity for all citizens in the benefits of ICT; the digital transformation of public services and the role of ICT in supporting Welsh creativity, culture and language.”

Recommendation: Ministers should ensure that the emerging Digital Wales strategy takes full account of the needs of the creative industries sector. Creative industries sit at the heart of Digital Wales and effective policies for the digital economy are essential to the success of most creative businesses in Wales.

In addition to these major initiatives, there are a substantial number of other forms of intervention in the Wales creative industries sector. Some of these are funded and governed at the UK level, others from within Wales. They range from the more than £250m a year of public funding for public service broadcasting in Wales to substantial programmes to encourage knowledge transfer between universities and the creative sector and support for the Welsh book publishing industry. The Arts Council of Wales also plays a major role in distributing funds to creative organisations within Wales. A list of Assembly Government allocations is set out in appendix 2.

We estimate that, in total, Wales is spending around £300m a year on creative industries. This is a very substantial sum and indicates the potential for achieving higher value economic outcomes from this investment. Most of this money, however, is being disbursed at the UK level rather than through the Assembly Government and almost all of it is primarily intended to support cultural rather than economic goals.

The question is: are there ways in which Wales can extract better economic value from this £300m a year of expenditure, consistent with the cultural goals of the investment? For example: could the Assembly Government enter into a more productive dialogue with big creative industry players like the BBC and S4C on their economic impact? Could the Assembly Government use its procurement muscle to help grow the capacity of Welsh digital content creators? Can more be done to achieve synergies in sectors of education relevant to creative industries? These are questions not currently being asked with sufficient force or insight.

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Recommendation: The Assembly Government should organise itself in a way that it is able to shape more effectively the economic contribution of Wales' publicly financed creative industries as a whole. This is a £300m a year economic opportunity which extends across numerous areas of government, from heritage and regeneration to education and social inclusion. In addition, Wales needs to ensure that it taps effectively into numerous other UK-wide programmes which are relevant to the success of creative industries.

5. The Wales Creative Intellectual Property Fund

The flagship of the 2004 Creative Industries Strategy was a new £7m Creative IP Fund, to be supported by a more strategic creative industries “hub” within the Assembly Government and better targeted training.

Dai Davies, who led the work which resulted in the new strategy, told this review that the 2004 policy had achieved some but not all of its objectives. “At the time, I underestimated the speed with which digital would threaten existing models and over-estimated the broadcast sector’s ability to adapt to new opportunities.”^{vi}

The IP Fund, he says, “has been competently managed and is a positive demonstration of an expert panel working in harmony with a public sector organisation. However, over-emphasis on film as opposed to TV and new media is unfortunate, as there are few companies in Wales able to gain long term benefit from that.” The fund, he adds, “has operated in isolation from a strategic plan, but it wouldn’t be entirely fair to blame its team for that as there was supposed to be a parallel DE&T strategic panel. Welsh companies, with a few exceptions, have not been able to put themselves at the heart of the type of international co-production deals that the Fund was supposed to support. Probable reasons for that are: insufficient motivation with the companies themselves, lack of support from the broadcasters and lack of expert business support from the Assembly Government.”^{vii}

This candid assessment is in line with the evidence that has emerged during the review. In almost every stakeholder conversation, there was support for the 2004 strategy’s emphasis upon building stronger intellectual property assets within Wales-based creative companies.

The IP Fund began operations in May 2005 with a £7m allocation to provide equity investment in feature films, TV productions, new media and music projects over a three year period. Managed by Finance Wales, the IP Fund aims to fill the funding gap in projects which are also capable of attracting private sector investors. The fund seeks a commercial return on each investment and always tries to position itself at the safest possible point in the risk spectrum among investors in any specific project. The Fund’s investment committee is chaired by Clive Jones, a former Director of ITV, a non-executive director of S4C and a leading figure in the UK media industry. Peter Wright, the Investment Director for Finance Wales, is also a member of this committee. Other members bring expertise from various parts of the media sector.

The IP Fund’s activities were reviewed by Northern Alliance, a consultancy with expertise in this area, in July 2007. That review concluded that the Fund was well run, with a lean staffing structure, but that it was proving best suited to investment in film and TV, rather

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than music and new media. The Fund was judged to be performing well in terms of leveraging additional money into the Welsh economy (an estimated £5 for every £1 invested by the IP Fund and 130 jobs created at that point), but Northern Alliance said it was too early to judge the likely total commercial return to the Fund, given the potential length of the cycle of return for certain types of film and television, especially animation projects. As of July 2007, the Fund was projected by the consultant to be in line to recover roughly 50 per cent of the money it had invested. Northern Alliance, supported by the IP Fund Investment Committee, then advocated a three year extension of the Fund “in substantially the same form.” This was accepted by Ministers and, to date, the IP Fund has invested £8.6 million in 26 separate ventures. By March 2010, the IP Fund will have committed £10m.

Significantly, the Northern Alliance review also urged those responsible for the Fund to “lobby Finance Wales and the Assembly Government for the development of a more unified and cohesive strategy for the creative industries. Of particular importance are the re-launch of the Creative Hub and its effective establishment as a commissioner and/or deliverer of company development, business planning and other non-production support. The potential for the Hub to act as a strategic co-ordinator and broker needs serious investigation.”

The current review invited the IP Fund to commission an update of the Northern Alliance work, rather than undertaking a more expensive audit from scratch, though in principle reviews of this kind should be supervised not by the organisation under review but by an independent authority. The Northern Alliance update was completed in December 2009.^{viii}

In its new report, Northern Alliance estimates the Fund’s lifetime returns at between 40 and 50 per cent. The company dismisses the idea that the fund can achieve “evergreen” or self-sustaining status – its goal at the outset. Returns to date equal 21 per cent of the sums invested, though the consultant notes that a flurry of revenue from specific projects after its analysis was complete might have pushed this figure towards 25 per cent. It adds that the Fund “is now well established and attracts a steady deal flow”; that it has shifted the focus of its investment somewhat from film to television but that its investments in music remain non-existent and its investment in interactive media confined to a single, unsuccessful foray into the games industry. (As the review was going to press, the IP Fund announced its first music investment). Film now accounts for 56 per cent of the portfolio, compared with 68 per cent two years earlier.

The Fund has continued to achieve collateral economic benefits for Wales, alongside its core investment mandate to build intellectual

property through commercially successful projects. Today, Northern Alliance judges that for each £1 of gross investment by the IP Fund, £4.32 is contributed to the Welsh economy; the jobs created tally is estimated at 330. In summary, Northern Alliance finds that “the fund has been highly successful in leveraging modest amounts of investment into the creation and ownership of IP in Wales. It has supported the broader development of the indigenous creative economy whilst preserving its ‘market investor’ ethos and the associated State Aids requirements.” Ministers are urged to continue their backing of the Fund at existing or modestly enhanced levels. The IP Fund is urged to ensure that the projects in which it invests are paying sufficient attention to selling content across all digital platforms: so called 360 degree marketing.

The IP Fund’s current portfolio of investments is weighted to the troubled low budget and the challenging mid budget films sectors (accounting for 14 of its 26 investments to date). Northern Alliance comments that “a small number of the forecasts for individual films are materially overstated.” For example, *The Edge of Love*, a film about Dylan Thomas, attracted an investment of £700,000 from the IP Fund, a disproportionately large share of its total resource, and has so far returned only £70,000, following the collapse of the film’s sales agent. Part of the film portfolio has been written off. Conversely, when the IP Fund tried to break into the promising new ground of video games, the fastest growing area in creative industries, it backed a project which has so far returned only 17 per cent of the cash invested, with limited prospects for further returns.

What should be done now? It may well be that if the Fund can further shift its investment priorities towards the growing area of international co-production of television programmes, then its performance will improve. Building a fund of this kind is not a short-term affair and it is important not to chop and change approach too frequently.

It is fair to add that the Wales IP Fund compares respectably to similar funds around the UK. Only the West Midlands fund (Screen West Midlands) has succeeded in backing a hit movie. Among other funds, actual and projected returns are comparable with those of the Wales fund and there are signs that as a result the emphasis in some funds is being switched from commercial return to less demanding objectives such as talent development and innovation. The Welsh fund, Northern Alliance says, has become, in effect, a hybrid fund, which sets out with commercial goals (and is held to market principles in the State Aid rules which apply) whilst also pursuing wider economic and even cultural benefits. Northern Alliance says: “whilst the WCIP Fund has neither the costs nor the benefits of a broader cultural driven media agency, it

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compares well in terms of forecast ultimate recoument rates with its closest peers.”

Where it compares less well, some stakeholders told this review, is in co-ordinating its own investment decisions with other types of business support for the sectors in which it is making investments. The Northern Alliance review, which two years ago appealed for better strategic co-ordination, notes that some other funds have done better by delivering this kind of cross-cutting service: the exceptional success enjoyed by Screen West Midlands is attributed in part to its effectiveness in combining investment with business support and mentoring.

Northern Alliance’s final word on the matter is this: “The (Wales) Fund has displayed flexibility in its investments and has adopted ways of investing in IP that are not typical of a public sector investor. We would encourage the Fund to continue to adopt such strategies and believe it is appropriate to continue to diversify the ways in which it invests if it is to achieve a satisfactory return on investment in the future. It should therefore use the advent of new models of distribution to continue and increase its efforts to underline its market investor status and differentiate itself from classic public sector subordinated investment positions. Above all, it should demand from all applicants a thorough marketing and distribution plan that illustrates how their project will monetise audiences in a world where the internet is the dominant medium for marketing and distributing audiovisual content. The increasing proximity of this digital age is the most prominent change since our last review and the Fund should clearly signal its requirement for applicants to be prepared to meet its challenge and secure its opportunities.”

This will strike some creative industry stakeholders in Wales as a generous view. Any fund which picks winners is vulnerable to criticism from those it has chosen not to back, but it is undeniable that the Fund has been skewed towards a particular end of the film market; it has been unable to uncover suitable opportunities in international television co-production and has failed almost entirely to make an impact on music and digital interactive media. Nor has it worked particularly well with other business support providers, probably in large measure because of the lack of a sufficiently effective strategic approach to delivery of business support from within the Assembly Government’s creative industries hub of the hub.

Some stakeholders also complain about the risk of the Fund’s decisions being swayed by individuals with significant personal commercial interests in play. The Fund’s management team assured the review that IP Fund Board members work faithfully to Finance Wales Guidelines

which involve individual board members declaring potential conflicts of interest so that the board as a whole can adopt appropriate procedures on specific decisions. Finance Wales maintains a register of interests “to avoid any board member being influenced or appearing to be influenced by their private interests in the exercise of their public duties.” In the case of the IP Fund, these conflicts can take a number of forms. For example, Finance Wales holds minority shareholdings in a number of companies (Greenbay Media, Boomerang, Dragon DI, and Calon) which have bid successfully to the Creative IP Fund. The IP Fund board’s practice in such instances is for the Investment Director of FW (who is also a member of the IP Board) to declare his interest and allow other Board members to discuss the proposition before FW provides its own comments. In other cases, individual board members with conflicting board responsibilities have excluded themselves from specific decisions. The best remedy for stakeholder concerns on these issues is clear rules and transparency of application. The fund’s rules about conflict of interest are set out in its Investment Operating Guidelines, but it would be helpful if they were also clearly displayed on the Finance Wales and Creative IP Fund websites.

The lessons to take from the Creative IP Fund experience can be summarised as follows:

- The IP Fund has successfully brought expert advice to bear on its decisions. Sector expertise and judgment are essential both to building a creative industries strategy and to specific investment and business support decisions, but the terms on which private sector experts are employed needs to be clearly specified and the way in which they manage potential conflicts of interest should be made publicly transparent as a matter of routine.
- The fund has operated without a genuine strategic framework. This should have been provided by the creative industries hub within the Assembly Government; without it the fund has not been able to operate in line with the aspirations set out at its creation.
- Projects which are selected for investment should, where appropriate, be supported by suitably experienced and well targeted mentoring or other business support.
- Picking winners is difficult in any business; picking hits in the creative sector is particularly so and depends upon intelligence from well developed business networks. These are currently insufficiently developed in Wales, especially in digital, interactive media, and the IP Fund has not done enough to nurture those networks or to work with those that do exist, for example in music.

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- The Fund's commercial objectives are laudable, but have proved very challenging. Commercial objectives provide valuable discipline and points of comparison, but in truth, Finance Wales is not an investor pursuing the single motive of high financial returns. A more multi-faceted approach would enable the fund to support a wider range of projects across more sub-sectors in the creative industries.

The next step is to review the investment funding available for creative industries as a whole and to design a fund or cluster of funds to meet a variety of needs. The IP Fund's initial design meant that it was bound to be better suited to the film industry than television, music or digital media. As such, its design was at odds with its strategic purpose. A new Creative Industries Fund should have a number of elements, aiming to serve different parts of the creative industries sector, within a single framework. Its core purpose should be to help build businesses inside Wales in a way that increases their ability to sell their products outside Wales. This clarity of objective is what should distinguish the work of the Creative Industries Fund from the many other sources of funding for cultural activities in Wales. In the opinion of this review, it will be necessary for the Assembly Government to continue to invest directly in the creative industries sector, if it wants to continue to build Wales' relative position in this highly competitive set of industries.

Recommendation: there should be an orderly transition from the Creative IP Fund to a new and broader Creative Industries Fund. This new Fund should be accessible to all digital media industries: film, television, music and interactive media. More detailed thoughts on the funding of music and digital media are set out below. Following further research into the needs of creative sub-sectors not covered in the IP Fund's current remit, the Fund should be extended where appropriate to meet their needs as well. It would, in effect, be a cluster of funds within a single marketing framework. The common purpose for all aspects of the Fund should be that projects supported contribute to the success of Wales-based creative companies in markets outside Wales. Rules about personal conflicts of interest should be firm and disclosure transparent.

6. Strategic direction: Creative Business Wales and the Hub That Wasn't ...

When the Creative Industries Strategy was announced in 2004, it was the stated intention to re-organise the relevant players around a “hub” which would have the capacity and capability to devise appropriate policies and to set the strategic framework within which DE&T and the sub-sectoral “spokes” would operate and ensure delivery of high quality business support services.

On paper, this still looks like a sensible approach, but it is the strong, almost unanimous, view among stakeholders who contributed their thoughts to this review that this aspect of the current strategy has failed. They said that they find the roles of the different agencies, departments and sub-departments involved in supporting creative industries within the Assembly Government and its related agencies confusing and inhospitable. I heard many stories of creative companies receiving irrelevant or ill-judged advice from one part or another of the Assembly Government’s business advice (Flexible Support for Business) network. “The whole thing is a shambles and I stay away from it as far as I can,” said one television company executive. “They’ve got the bits to do the job, but the bits just aren’t joined up,” said another. “They should really wrap the whole thing up and stop trying to pretend they’re creating the film industry Wales will never have – I think they should just focus on digital and try to get something out of that,” said another.

The 2004 creative industries strategy envisaged establishing two expert panels or boards, recruited from the senior ranks of the creative industries, one to oversee the IP Fund, the other to advise the hub on strategy and, where necessary, to challenge the approach of the IP Fund in following the overall strategy. There was much debate whether this hub should sit within the civil service or removed from it. Given the context of the then recent dismantling of the Welsh Development Agency and ELWA, there was, in the end, no political appetite for arrangements which involved creating a new “quango.” It was decided to go for a substantially “within the Assembly Government” approach to strategy, with a single external panel to work with Finance Wales to supervise the IP Fund.

In principle, this could have worked. There was an initial flurry of enhanced budgets and half a dozen new posts recruited from the unfamiliar world of the creative industries to get the hub, Creative Business Wales (CBW), started, but the hub was never given the authority either to drive strategy or to ensure the quality of business support. Very soon, it started to have resource taken away from it and suffered rapid changes of leadership. CBW was, for a period, shunted into International Business Wales, apparently giving it an inward-investment slant. In short, it was badly managed.

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In November 2008, CBW was reviewed by the Assembly Government in order to make it a better fit within revised structures of the Department of Economy and Transport. This review commented that CBW was liked by some Welsh television production companies for schemes like the Producers' Talent Scheme (an Assembly Government funded scheme to second experienced network producers to Welsh indies), but that elsewhere it was regarded as insufficiently joined up with other Assembly Government players in creative industries and lacked strategic grip. The Hub lacked authority even within DE&T and had even less purchase in important areas such as Broadcasting, Technology and Innovation, Higher Education funding, Training and Tourism. At this stage, the development of spokes to fit into the hub had also stalled. Apart from a music spoke and a somewhat disjointed film spoke, there was nothing. Over three years into the new strategy, the CBW hub still had no spoke for (and no meaningful engagement with) digital media. The role of the second advisory panel had "not been effective" and an alternative approach was being pursued. Resourcing for CBW was confused as, in effect, the majority of its resources belonged to the Wales Screen Commission which sat within the hub rather than a film "spoke." The reviewers also noted that the building occupied by CBW was "expensive" and the potential for conflicts of interest involving external advisers "significant."

From the outside, these arrangements still look very unsatisfactory. There are two bodies devoted to film, the Wales Screen Commission (which still sits inside CBW as something between part of the hub and a "spoke") and the Film Agency for Wales, an independently governed Community Interest Company, which exists to promote the development of the film industry in Wales. The creative industries hub has no resource aimed specifically at digital media, but outside the hub sits @Wales, a long-established digital business incubator. The hub is purportedly strategic, but it sits organisationally within DE&T as part of the department's "delivery" group and the policy side of the Assembly Government on creative industries is not resourced in scale or seniority to the necessary level.

The remedies proposed by the 2008 internal review ran to 22 specific actions, designed to refocus CBW as an enabler for delivering sector-relevant activity through its spokes (there would be new spokes for new media and TV), holding them accountable for delivery and working closely with the Assembly Government's general business support set-up ("Team Wales"). The MAG concluded optimistically: "in the private sector the model 'form, storm, reform and perform' is well understood and given effective leadership and political will the creative industry pilot is

still capable of moving out of the 'storm' phase into a regrouping and finally performing team."

Ministers, no doubt reflecting upon this analysis and the absence of progress in delivering improved performance, commissioned the current review. They are right to be concerned: drastic changes need to be made to the Assembly Government's operations if they are to deliver a well-balanced package of support for the creative industries sector within the context of a thriving digital economy. Yet another round of tinkering with reporting lines inside the DE&T will certainly not deliver the scale of change that is needed.

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7. And the Strategic Hub that is Needed

No-one should imagine that establishing government structures to respond to an industrial sector as fast changing and unpredictable as creative industries or the digital economy is easy. At the UK level, it has been a long journey from the first identification of creative industries as a sector of strategic economic importance in 1998 to today's cross-cutting policy teams, informed as they are by the expertise of a cross-cutting regulator, Ofcom, set up by the 2003 Broadcasting Act, to deal with the rapidly emerging realities of a converging digital media economy. These are issues which test Ministers and officials in London, Belfast and Edinburgh as well as in Cardiff.

For the devolved administrations, matters are complicated by the fact that so many of the issues at the heart of the creative industries debate are not devolved. Sir Jeremy Beecham's review of local service delivery in 2006 argued that the Assembly Government should take a close interest in service delivery issues affecting Welsh citizens regardless of whether these concerned "reserved" matters. Since 2007, Welsh Ministers and the National Assembly have taken a strong interest in the digital economy, but the Assembly Government has sometimes lacked the experience, expertise and self-confidence to support that Ministerial interest.

Northern Ireland's response to these issues has been to create the Department of Culture, Arts and Leisure, reflecting as closely as possible the footprint of DCMS in London. Scotland has undertaken a more radical path, by merging the functions of the Scottish Arts Council, Scottish Screen and Scottish Enterprise's creative industry support into a single new organisation, Creative Scotland, with digital industries still looked after in Scotland's development agency. The troubled early history of this ultra-converged Scottish body indicates that radical strategic logic doesn't offer easy answers either, though this is a model which Wales will wish to keep under close observation.

What is the right structure for Wales? In outline: an over-arching Assembly Government strategic framework on the digital economy and, within that, a genuinely strategic hub to oversee support for the creative industries, reflecting its status as a high priority business sector. At the top level, private sector or other expertise from outside Government should be brought to bear both on strategy and accountability for the delivery of service.

The right starting point for the digital economy framework is the existing Digital Wales programme, though on the basis of drafting work made available to this review, work is still needed to think through this approach in detail. The new Creative Industries Strategic Hub needs the resources and authority to create strategy in line with Government policy and to ensure that the strategy and business support services are

well aligned, delivered and evaluated in a systematic manner. The fact that most of the investment in Wales' creative industries sector exists for primarily cultural reasons (and is therefore overseen by the Department for Heritage) opens Wales to the significant risk that it will not succeed in exploiting the business and economic advantage of these large investments. Strong cross-cutting arrangements are needed to ensure that the delivery of a refreshed strategy does not fail in the manner of the 2004 plan. Responsibility lies primarily within DE&T and the Department of Heritage to see that this is not so. Expressions of good intent will not suffice.

Recommendation: Ministers should ensure that the emerging Digital Wales strategy defines an approach to the Digital Britain agenda which brings together strategy and delivery across the whole of the digital economy. This should be overseen at the highest level politically and administratively and supported by a Digital Wales Board, led by an officer at Director level and chaired by a suitably experienced person from outside Government. Nesting within this structure should be a new Creative Industries Strategic Hub, led by a suitably senior officer from DE&T in the role of a new Head of Creative Industries and supported by a Creative Industries Board, also chaired by an external appointee with expertise in the sector. The Creative Industries Strategic Hub would work through a series of spokes (see below) eventually covering all 14 sub-sectors of the creative industries. The Creative Industries Board would oversee all of the Assembly Government's creative industries work, including the proposed new Creative Industries Fund. The Creative Industries team would sit within DE&T. The new Head of Creative Industries and the Chair of the Creative Industries Board would sit on the Digital Wales Board, ensuring tight linkage between content and connectivity. These arrangements within the Assembly Government could be mirrored in the structure of National Assembly committees.

There is plenty of room for debate about one government structure versus another and there is no unique magic attached to the arrangements proposed here. No doubt there will be wider issues of Government structure to consider, bearing in mind the recent appointment of an Assembly Government Director to take general responsibility for effective cross-cutting work between departments. But the gaps in the current governmental structures for both the digital economy and the creative industries are alarming. The Assembly Government lacks the capacity to set an evolving strategic framework and a clear point of accountability to ensure that objectives are delivered and evaluation completed. As a result, money is being wasted and opportunities lost. Now is the time to put things right.

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Each of these boards, the hub and the spokes will require clear and published terms of reference and their activities will need to be well marketed. The criteria they set out for access to support should reflect the fact that creative industries often employ people mainly on freelance or loose contractual arrangements and research and development is often directed at intangibles.

The remit of the Creative Industries Board would include:

- To develop strategy towards the sector, working to Ministerial policy.
- To keep in touch with the Digital Wales agenda to ensure that creative industries' concerns are dealt with and opportunities seized.
- To monitor and evaluate delivery of the strategy against objectives, including the functioning of spokes relating to CI sub-sectors and the provision of business support services.
- To oversee and propose responses to audits of economic impact delivered on behalf of e.g. public service broadcasters (see below).
- To oversee the Creative Industries Fund and any sub-committee/s responsible for investment.
- To liaise with the Digital Wales Research Hub, linking creative industries into innovation and knowledge transfer with higher education.
- To monitor the interaction between creative industries policy and the work of relevant agencies at the UK level.
- To stay abreast of policy approaches to creative industries in other parts of the UK and beyond.

8. Spokes: Television (Assembly Government and the Public Service Broadcasters)

It is curious that a hub and spoke structure aimed at developing the creative industries after the 2004 policy statement should have made no explicit provision for television, which is by a wide margin Wales' biggest creative industry sub-sector. In practice, television's business support needs have been handled (inadequately) through the DE&T business support network (Flexible Support for Business) and its training needs through a pretty effective employer-led approach to training led by Skillset, in which public service broadcasters have played a major role. In addition, independent television production companies have had access to the Creative IP Fund and other initiatives involving CBW.

TV indies are, at least in private, highly critical of what they see as the confusing and unhelpful nature of the current Assembly Government offer; several of them are also critical of the Creative IP Fund, in part because it has spent most of its money on film. They say that they find DE&T's business support structures poor: lacking understanding of the creative sector; and apparently based upon models of support and mentoring better suited to older industries.

Critics of the Welsh indies point out that most of their businesses would not exist but for a consistent and substantial stream of public funding through the public service broadcasters over decades. Not that this in itself is something of which anyone need be ashamed: the same can be said of the UK pharmaceutical sector or the large number of companies that service the publicly funded education sector. The disappointment has been that so few companies in the Welsh independent television production sector have matured into units capable of operating throughout the UK and beyond.

The challenge today is for Welsh indies to become still more adept at bidding for UK network commissions, as well as pursuing international co-production and sales, as UK broadcasters increasingly turn to co-production in order to contain content acquisition costs. If the indies, which have formed the core of Wales' creative sector, do not develop new markets and new digital products, they face decline, as the pressure grows to curb UK public service broadcasting budgets in an era of global commercial media plenty.

So far, the story of the Welsh indies is mixed. Companies like Tinopolis and Boomerang have successfully attracted external capital and Tinopolis, the largest, has grown substantially outside of Wales by acquisition, based upon its successful diversification into a wide range of digital media services, delivered from a highly cost-effective base, itself built around a core of work from S4C. Others such as Green Bay, Presentable, Rondo Media, Cwmni Da and Telesgop have created strong niche businesses. Many other Welsh indies have found it harder to

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advance far beyond the apron strings of S4C, but most have advanced to some degree. There is a good enough cluster of companies here to justify continued Assembly Government action to help develop the industry further, given the increased salience of audio-visual skills across the emerging digital economy. But to work successfully with companies of this type requires a level of expertise which the Assembly Government has not been able consistently to deliver.

From the point of view of the Assembly Government, matters are complicated by the fact that the television industry in Wales is dominated by two publicly funded broadcasters, BBC Wales and S4C, both of which receive their funding through arrangements determined and administered in London. Within the Assembly Government, matters involving these two broadcasters, along with and other broadcasting policy issues, are handled by the Department for Heritage. There is widespread acknowledgement that the working relationship between the Department for Heritage and DE&T is in need of improvement.

It is also the case that areas of policy which have traditionally been considered purely cultural in character – the subsidised arts for example – have a vital part to play in shaping the future of Wales' creative industries.

The point is illustrated in the way that the Assembly Government conducts its own relationship with the public service broadcasters: Channel 4, Channel 5 and ITV, in addition to the two biggest players: BBC Wales and S4C. This is a theme which has been touched upon often in recent months in National Assembly debates and committee hearings, sometimes under the heading of manifestly cultural concerns, such as the portrayal of Wales on UK network public service television or the future of Welsh interest programmes on ITV; sometimes with regard to economic issues, such as the extent to which these broadcasters commission programmes from Welsh production and facilities houses.

In all of these debates, it is increasingly self-defeating to draw hard lines between cultural and economic concerns: Wales is entitled to expect strong cultural *and* economic gains from the £250m or so of public money spent each year on broadcasting in Wales.

Behind all of these questions lurks the longstanding debate whether broadcasting policy should be a matter reserved to the UK Government: a question beyond the scope of the current review. But it follows from the principles of the 2006 Beecham Review that the National Assembly and the Assembly Government have every right, indeed they have a responsibility, to scrutinise all areas of policy and public spending which are of importance to the citizens of Wales. The performance, economic

and cultural, of public service broadcasting in Wales surely falls into that category.

At the UK level, there is robust and more or less constant debate about the strategic direction of public service broadcasting. Ofcom has conducted two reviews on the subject in the last six years and the BBC is seldom out of the political dock, being seen simultaneously as both a treasured and a highly contested institution. At present, in response to these pressures, the BBC is conducting a major review into the scope of its own activities.

Why, a number of stakeholders asked the review, is S4C not engaged in comparable examination? They question whether the level of public debate about S4C within Wales is in line with its importance culturally and economically to Wales and ask whether this state of affairs is a consequence of the fact that S4C is funded and largely regulated from London (via DCMS and Ofcom) and held to account in Wales only by the relatively low profile S4C Authority. Surely, it is said, the National Assembly for Wales should be playing a bigger part in leading debate about S4C.

The accountability within Wales of the other public service broadcasters is also less than robust. BBC Wales is governed by the BBC Trust, which has a Welsh member; an arrangement that, in effect, pre-dates devolution. Its Audience Council for Wales has little profile outside the BBC. ITV and Channel 4 are regulated by Ofcom, which does have a Welsh advisory body and which has developed a good reputation for producing data and research needed to inform the Welsh broadcasting debate. A number of Ofcom's decisions, however, have been seen as insufficiently sensitive to the Welsh perspective and there is scope to develop further the voice of its Welsh Advisory Committee. ITV also has its own, low-key within-Wales mechanism for assessing audience views.

It is essential in these circumstances that the National Assembly and the Assembly Government have the expertise to establish and assert their own points of view, no matter where legislative responsibility lies. It is encouraging that in the last two or three years Ministers have highlighted issues arising around the future of ITV Wales, prompting Assembly Committees to follow the issues and make their own challenge. On major UK policy issues, such as the debate over top-slicing the BBC licence fee, however, Assembly Government Ministers have avoided taking a public position.

When the devolved administrations have asserted themselves, they have got results. Most notably, the BBC has been forced to concede the important point that it should commission a higher proportion of

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its programmes in line with the relative size of population in the UK nations. The target figure now agreed is 17 per cent, which implies (the figure is not stated in the understanding) a 5 per cent share for Wales – far in excess of the level of BBC Commissioning from Wales in the last 20 years. This underlines the strength of the devolved authorities' position when making economic arguments.

The bottom line is that no creative industries strategy in Wales can flourish without the strong and active participation of the public service broadcasters. BBC Wales is one of the most powerful institutions in Wales, with 1,200 direct employees, a figure which rises to 2,300 if indirect jobs are also taken into account. Although most of these jobs are in Cardiff, where BBC Wales is based, a third of those directly employed live in disadvantaged Objective One areas. The BBC is by a long measure the biggest player in the Welsh market for television, radio and on-line services. It also supplies Welsh-language programming to S4C. BBC Wales' own spend on English language programmes for Wales has, however, been falling from £26.8m in 2005/06 to £23.6m in 08/09 and this at a time when licence fee income has been on the increase. Nor is there any sign that this trend is about to stabilise or go into reverse. These are matters on which the National Assembly and the Assembly Government should expect to be heard.

In recent months, BBC Wales has been debating another issue of great economic importance to Wales' creative industries: the move of a major drama series, *Casualty*, from Bristol to Cardiff and the creation of a new centre for television drama: a "drama village" in South East Wales. This followed an earlier proposal by the BBC to re-site the Cardiff headquarters of BBC Wales.

The issue provides a rich illustration of the BBC's economic importance to Wales' creative economic potential. If the project is confined to the television drama aspect, it is estimated to deliver a net impact to income or spending in Wales of £17m a year, creating almost 340 jobs. If the BBC were to move its Welsh headquarters to the drama village site and a successful digital content business park were to emerge (the so-called Media Capital concept) the benefits are projected to multiply to £58m a year and almost 1,500 jobs.

In January 2010, the drama village aspect of this programme – a partnership between the BBC, the Assembly Government and developers Igloo – received the go-ahead. The BBC has committed to locating this facility on an Assembly-owned site at Roath Basin in Cardiff Bay, with production due to start in autumn 2011. Meanwhile, £10m has been approved by the Assembly Government Single Investment Fund to part finance the capital investment into the wider Roath Basin

regeneration project. The Assembly Government has also committed to the development of a further building close to the Drama Village which could accommodate creative sector companies from early 2012.

This is a welcome development, but it will require strong and urgent follow-through by the Assembly Government, if the full benefits of the Media Capital project are to be attained. As part of the legal agreements currently in place, the BBC has a time-limited (four year) option on land adjacent to the drama village to undertake a move from its Llandaff site. Given that the BBC as a whole is undertaking a major review of all its activities, against the background of a General Election and uncertainties about future levels of funding, it is vital that the BBC fully understands the importance of its commitment to this aspect of the project.

As part of its efforts to create the Media Capital cluster, the Assembly Government is pursuing a partnership with Cardiff City Council, academia, the independent television sector and other key stakeholders, whose involvement will be essential if the Media Capital project is to deliver a viable cluster capable of driving the creative sector in Wales to new levels of achievement.

A number of stakeholders expressed scepticism to the review about this project, arguing that it will turn out to be nothing more than a short term piece of production warehousing by the BBC, designed to bring it into compliance with more demanding production quotas in the UK nations. They ask, as they are entitled to, why more Assembly Government money should be going into a project built around the BBC, when there are so many potential claims on it – for example in developing Wales' own digital content sector in other ways.

But this is one of the those opportunities which is here today and may be gone tomorrow. If BBC Wales does not get a state of the art digital media centre to replace its 40 year old facilities in Llandaff, that will leave Cardiff behind Glasgow and Manchester (which already have such centres). A consultant's report on the Media Capital project back in 2009 concluded as follows: "The BBC already has a major operation in Wales with a correspondingly sizable economic contribution. The proposed new Media Capital development has the potential to embed this leading employer, enhance the ongoing development of Cardiff into a leading media cluster location within the UK and provide a range of economic, social and regeneration benefits to Cardiff and Wales. By doing so, the development will provide a significant contribution to a wide range of policy goals at a city, city region and all Wales levels. Such a contribution is likely to be even more important given the current economic difficulties, which have already begun to have a severe effect on the Welsh Economy."^{ix}

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Recommendation: The Assembly Government should, as a matter of urgency, seek to secure the Media Capital project. This will require significant new inputs, in terms of evaluating the potential and operational needs of digital content businesses in Wales in order to establish the most useful shape for a digital cluster beyond the Drama Village plan currently being executed.

This review asked the BBC to estimate its overall economic impact on Wales and, as it turned out, the BBC had just commissioned a study by Deloitte, to answer these questions for the whole of the UK: an indication that the BBC is increasingly sensitive to its economic as well as its cultural footprint.^x

Overall, Deloitte calculates that the BBC spent £6.4bn a year in 2008/9 in the UK and delivered £7.7bn of gross value added. The figures for Wales are a spend of £138m, generating gross value added to the UK of £248m. Not all of this added value accrues in Wales, however, because of leakages. The reasons for this leakage include lack of skills and facilities in the Welsh broadcasting sector – though the BBC's critics say that this phenomenon is caused in part by the BBC's historical preference for relatively centralised commissioning structures. The same problem occurs in other nations and regions of the UK outside London and the South East.

The Deloitte report does not attempt to calculate the GVA return to Wales from BBC spending in Wales, which is regrettable. But, based upon previous work by Cambridge Econometrics, it is estimated that Wales' creative industries economy is capable of retaining roughly 80 per cent of the value of this type of spend within Wales. This "multiplier" of 0.8 is, in fact, a rough and ready indicator of the depth of the Welsh creative economy: the stronger the creative economy, the higher the multiplier (though the figures are based on a study confined to the film and television sectors). The standard multiplier applied to Wales of 0.8 is the same as that applied to Northern Ireland. Scotland's multiplier is 0.9 and the multiplier for London is 1.1. This indicates that Wales as a creative industries centre lacks relative power to generate economic value from this sector. These figures, however, are six years old and it would be very useful to have better data for Wales as part of the effort to understand the extent to which policy is helping the creative sector to make the Welsh economy better geared to grow value. None of the data currently relied upon, for example, includes evaluation of the impact of the internet. This is another area of work for the re-vamped Creative Industries Strategic Hub.

S4C is likewise of pivotal importance to the Wales creative industries sector. Its annual spending on Welsh language programming exceeds £100m, in addition to which it has a commercial arm funded by an

earlier sale of assets. Its funding comes primarily from the UK taxpayer, supplemented by advertising and sponsorship revenue, chiefly from its core television channel, along (historically) with time-shifted programming from Channel 4. Programmes from Channel 4 will no longer appear on S4C when digital switchover is completed in Wales on March 31, 2010, but opportunities may still arise for partnership, for example in the distribution of High Definition Television programming in Wales.

Without S4C, Wales may well not have any independent television production companies at all. Almost all the Welsh indies have their roots in making programmes for S4C and they are spread across Wales in a way that has helped to broaden the geographic base of the Welsh creative industries sector. The decision, following the 2003 Communications Act, to allow independent production houses to retain intellectual property rights in their own productions, was designed to encourage indies to develop the kind of muscle that would enable them to trade beyond Wales into the UK television networks and beyond. In recent years, S4C has sought efficiencies of scale by commissioning a smaller number of indies, a move which has also had the desirable effect of encouraging the emergence of larger, stronger companies able to compete on a wider front, as well as to make its own procurement practices more efficient. S4C, through its 2004 Creative Excellence programme, has played a strong leadership role in the development of quality training and skills provision for the television sector in Wales, as well as collaborating with the IP Fund on joint investments in films and television programmes.

An assessment of the full economic impact of S4C on the Welsh Economy commissioned by S4C from the Welsh Economy Research Unit of Cardiff University Business School in 2007^{xi} estimated that it was responsible for supporting 2,254 jobs (full time equivalents) through spending in that year of £96.7m, not counting the jobs impact within BBC Wales resulting from the creation of 524 hours of Welsh language programming at a value of £20.6m. Most of the jobs S4C sustains are in the independent production sector and like most jobs in the public service broadcasting industry they are characterised by relatively high levels of skill and pay.

These are all issues of significant economic importance in Wales and the Assembly Government has a big stake in ensuring that S4C continues to play a major economic role, alongside its cultural role. But the National Assembly can also legitimately ask: how could this economic leverage be further developed? One possibility would be to ask S4C to apply performance conditions to companies that work for S4C requiring a certain percentage of their work to be sold in translation

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outside of Wales; it could involve incentives for production companies to collaborate internationally (for example by restricting the extent to which S4C acts as a sole commissioner); it could involve S4C taking part in a new digital investment fund, as outlined below. But these are economic objectives that sit outside of S4C's core remit and they are scarcely high profile matters on the agenda of DCMS, which oversees S4C's funding.

It is striking that the S4C Authority's current framework of formal responsibilities makes no reference at all to economic issues. It is also the case that, in responding to potential commercial opportunities, S4C's founding statute obliges it to undertake complex legal procedures involving the laying of orders before the House of Commons. These conditions are unlikely to be conducive to brisk decision taking in a fast-moving industry.

A number of stakeholders commented to the review that in the last year or so, S4C has looked hesitant over a number of major, strategic questions: the extent to which it might involve itself in English language news broadcasting in the light of ITV's retreat from this area; the nature of its programme supply relationship with BBC Wales; S4C's commercial strategy; the S4C Authority's potentially wider role as a commissioning authority; and the question of S4C's role in the development of on-line services and businesses in Wales that lie beyond the boundaries of its core service.

Yet, in a period when every aspect of the future of ITV, Channel 4, Channel 5 and the BBC have been subject to detailed debate and indeed party political controversy in the UK, the debate about S4C has been subdued, tending to lurch between spasmodic interventions questioning the basis on which the channel operates and silence. The UK authorities involved (Ofcom and DCMS) lack the instinct and self-confidence to animate this uniquely Welsh debate and the Assembly Government lacks the formal mandate. During this review, we heard many (almost always private, but often passionate) suggestions about the level of S4C's funding, its political governance, its declining television reach, its online activities, its commercial ventures and its structure. To date, the S4C Authority, Ofcom and the Assembly Government have not succeeded in ensuring that these issues are sufficiently well understood. Politicians fear that raising the profile of S4C at the level of London politics can only result in one thing: a challenge to its level of funding from the Exchequer.

These are genuine risks, but they cannot be allowed to stifle debate. How could the situation be improved? One option would be for DCMS to undertake a full review of S4C, which it is obliged to do every five

years. The last wide-ranging review was the one conducted by Roger Laughton in 2003/4. It would, however, surely be better for the National Assembly and the Assembly Government to take the initiative to consider the issues facing S4C, working within the framework of current statute, but based upon broad terms of reference enabling the Assembly Government to recommend changes to statute where appropriate. A sensible first step would be for the National Assembly and the Assembly Government to invite the S4C Authority to take part in a new, more regular and structured exchange of information and views. Terms of reference for a review could be an early subject of dialogue.

The other public service broadcasters are important to Wales in differing degrees. Channel 5 is the least so, because it has the lightest public obligations and has no significant history of commissioning from Wales. Channel 4, however, looks like emerging from the current UK-level debate with a renewed public service mandate, but it too has a weak set of relationships in Wales.

Channel 4's record in commissioning from Wales is historically thin, so when it launched an important set of on-line initiatives under the 4IP banner, designed to develop community-based news and public service facilities on line across the UK, considerable efforts were made in Wales to attract a share in the programme, but without success. Channel 4 told the review that Wales has a relatively strong creative industries base and an ability to take bigger risks than English Regions but that, in practice, the Channel had experienced "navigation issues" in dealing with the Assembly Government. A senior executive said: "We never cracked the enigma code of the Assembly Government. No-one ever said No to Channel 4, but it was never clear where the Yes might come from."

In the era of analogue broadcasting, it was natural and even acceptable for Channel 4 to pay less attention to Wales than to Scotland or Northern Ireland as its programmes fought for space on a single channel shared with S4C. As digital switchover completes its course in Wales, this is no longer the case. Channel 4 should today respond to Wales and Wales should respond to Channel 4 with precisely the same level of commitment as any other UK nation. As the review was going to press, Channel 4 indicated its plans to launch a dedicated development fund for Welsh indies: a welcome move in the right direction. A public service broadcaster like Channel 4 should expect to achieve substantially higher commissioning levels from Wales beyond the level implied by the current 3 per cent commitment from all three nations outside of England combined. The Assembly Government should press for a new understanding with Channel 4 on these and other matters through the machinery proposed in this review.

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The ITV story is different again. In recent years, this has been a narrative in which the giant of a former broadcasting duopoly with the BBC has had to adjust to proliferation of commercial channels on satellite and cable, the emergence of the internet and a consequent desire from its own leadership to shed uneconomic public service obligations, including the delivery of news to Wales, Scotland, Northern Ireland and the English regions.

There has been within Wales a lively debate about alternatives to the ITV Channel 3 news service, the result of which has been that Wales has established itself as the likely recipient of funding for a pilot for an alternative service from a new consortium of providers. Given Wales' historic shortage of indigenous news media, compared with Scotland and Northern Ireland, this is a matter of high importance in its own right. At the time of writing, the bidding process for this pilot service in Wales is well advanced, with bids declared from consortia which include Tinopolis, other Welsh indies, ITN, the "former" ITV newsroom in Wales, Welsh newspaper interests, Cardiff University, UTV and a number of other players. Preserving plurality in broadcast news provision, and the development of strong community-based news offerings on-line in both English and Welsh is a very important cultural objective for the coming years. Its economic significance, however, should also not be disregarded: without a strong commercial news alternative to the publicly funded BBC, Wales will lose out not only in terms of public debate but also in the development of advertising markets and in nurturing important skills and capacity in the digital communication sector.

On the issue of the supply of English language programming for Wales outside the area of news (what has become known through Ofcom classification as the "non news" segment – documentaries, current affairs and other factual programmes), there has been heated debate within Wales and strong advocacy for this gap in service to be filled as ITV withdraws. Then there is the important subject of the boundaries of the ITV Franchise in Wales, currently drawn to include Wales and the West of England; potentially, in the future, to be focused on Wales as an entity. Whatever the precise location of regulatory decision-making about such issues, the views of the National Assembly and the Assembly Government should be strongly asserted.

These ITV issues, more than anything else, have ignited the broadcasting debate in Wales in the last three or four years and led to a range of proposals, from the creation of a television production fund on the Canadian model to the more ambitious idea of establishing a Welsh Media Commission to channel funding into news and other English language programmes for Wales. Some of those who have made these

proposals have had their eyes on a slice of the funding currently going to either S4C or the BBC, pointing to an overall slide in the volume and plurality of English language programming aimed at Wales. The Assembly Government has largely declined to enter this debate, on the grounds that funding for S4C and the BBC are established by authorities in London. This seems a surprisingly timid approach. If the Assembly Government and the National Assembly are not to take a view on overall provision of public service broadcasting in Wales, who is qualified to do so?

Recommendation: The Assembly Government should require S4C, the BBC and Channel 4, to deliver an annual audit of their economic impact on Wales and an assessment of economic issues looking at least one year ahead. These audits will provide a platform for exploring how the broadcasters can increase their economic impact in Wales and a means of ensuring that obligations (such as levels of commissioning from Wales) are being met. At least once a year, the Chief Executives of the broadcasters should be invited to meet with the new Creative Industries Board to discuss issues and plans. Ofcom should be asked to extend its work in reviewing communications issues in Wales to provide an annual overview of the broader media economy in Wales.

Recommendation: in the case of S4C, the Assembly Government should establish with the S4C Authority a schedule of structured public dialogue, designed to broaden debate about S4C's activities. This could take the form of an annual exchange between the S4C Authority and the appropriate Committee of the National Assembly, looking forward as well as back; plus a twice-yearly exchange between S4C's Chief Executive and the proposed Creative Industries Board. The Assembly Government should also consider asking DCMS to open a full review of S4C in order to address issues that can only be resolved by changes in parliamentary statute. Any such review should place upon the S4C Authority a requirement for it to ensure that S4C seeks the maximum level of economic impact consistent with its cultural and public service goals. A desirable outcome of such a review would be to allow S4C greater flexibility in its commercial decision-taking. In conducting a review, DCMS should work in close partnership with the new Creative Industries Board of the Assembly Government.

Recommendation: The Assembly Government should do everything that it can to help deliver the BBC's Media Capital project, using this to provide a new core for a creative industries cluster in South East Wales. It should press the BBC to review the remit and impact of its Audience Council for Wales. It should press Ofcom to review the remit and impact of its Advisory Committee for Wales.

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Recommendation: The Assembly Government should use its influence to ensure that the news consortium pilot planned for Wales goes ahead as currently planned.

Recommendation: Ministers should seek to ensure that all other UK public service broadcasters, including Channel 4, define enhanced commissioning commitments to Wales. Channel 4, through DCMS and Ofcom, should be pressed for a more substantial level of spend in Wales. Leaders of public service broadcasters should be expected to account for their activities in Wales to the relevant committee of the National Assembly on a regular basis.

9. Spokes: Film

In the Welsh debate about creative industries, film is invariably characterised by non-film people as the best fed goldfish in the crowded creative industries bowl. From a film perspective, this is not correct because it disregards the very substantial public funding flowing into television, radio and now online through the public service broadcasting system. Film people in Wales argue that they do not get the right level of support and collaboration from the broadcasters.

But in the more limited universe of discussions about Wales' creative industries policy, the 2004 strategy and the "hub and spoke" mechanisms for supporting economic intervention in particular creative industries, film has grabbed a big share of the attention.

As set out in section 5 above, film has so far claimed the lion's share of investment from the Creative IP Fund, though this is now declining in relative terms in favour of television projects. In addition, there is the work of the Welsh Screen Commission, which currently sits alongside CBW as part of the "hub" and the work of the Film Agency for Wales.

The Welsh Screen Commission's job is to help film and television producers find locations and technical facilities in Wales – with the combined goal of generating activity in the Welsh economy, from catering services to crews, and increasing Wales' reputation as a place for film-makers to work.

Research suggests that the tourism impact of visiting places captured in widely watched productions, such as *Dr Who* and the *Harry Potter* films, is quite positive. Since its inception in 2002, the Screen Commission has assisted in delivering over £120m in actual spend on projects, including films and television. Organisationally, the Screen Commission sits inside the CBW hub, operating, in effect, as a partial spoke for film.

Media Antenna Wales is an EU funded body which also sits within CBW. It supports television and film projects, training and helps Welsh companies to attend international marketing events. Since 2007, it has spent Euros 884,497 supporting Welsh productions, chiefly in animation and documentary.

The Film Agency for Wales (FAW), by contrast, sits outside formal governmental structures, though all of its income is from public sources. FAW was established in 2006 with funding from the Assembly Government (through DE&T), the Arts Council of Wales (including some lottery funding) and the UK Film Council. Constitutionally, the Film Agency is a Community Interest Company, which provides a flexible basis for combining public with private finance in pursuit of a public good. Profits of CICs are recycled rather than distributed to shareholders. The agency has a large board, including experts in a number of relevant fields. FAW has an annual budget of £1.6m.

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The Film Agency provided the review with a detailed submission.^{xii} Its work includes developing and funding film projects designed to boost the Welsh film industry; education; advocacy and market analysis. So far, the FAW has co-financed 22 feature films and provided development funding for 59, all of them involving Welsh talent.

In August 2009, the FAW took delivery of a consultancy report on support for “film centred production companies in Wales.” This report explored staged approaches to supporting Welsh film companies and concluded that there is a shortage of suitable targets. The Olsberg review also commented that Wales, unlike other nations and regions within the UK and beyond, lacks a one-stop shop for film. It continued: “some of the bilateral relationships among these entities are excellent but, as a whole, we did not discover a single vision or strategy for film to which all of them subscribed. This represents an obstacle to the successful development of the sector, regardless of what point along the value chain support is aimed.”

In its written evidence to the review, the FAW refers to “the Assembly Government’s increasingly responsive Single Investment Fund” as a potential source of support for film and television companies; urges the Assembly Government to make better use of the Agency’s expertise in making judgments about film and contrasts the “relatively paltry” sum of £600,000 per annum of lottery funding available to itself for distribution to film producers with the more substantial sums invested by the IP Fund using “an intrinsically short-lived, single project, inward investment approach (with its key Welsh spend criteria and no Welsh talent or company criteria).”

FAW recommends to this review that there should be increased lottery funding to film in Wales (9 per cent of the Arts Council of Wales’ allocation, rather than the 14 per cent offered elsewhere in the UK) and a transfer of Assembly Government funding to film from the IP Fund to FAW, thus providing “a singular and coherent strategic governance for film funding in Wales.” Under these new arrangements, film and television projects would be funded on a softer and therefore more flexible basis. FAW also advocates firm obligations on public service broadcasters to support film and calls for a strong funding stream to enable Wales’ cinemas to go fully digital, enabling Welsh cinemas to screen digital relays (increasingly available) of musical and theatrical performances from all parts of the UK and beyond. In the longer run, the Film Agency believes that a newly aggregated screen agency might provide the basis for the creation of a broader Digital Content Agency to support digital media across all platforms.

There is much to be said for these ideas. Wales does need a considered approach to film and digital cinema and in time it might well develop some form of digital content agency. But the immediate problem with respect to film is that its support structures in Wales are fragmented and therefore unlikely to be as efficient or effective as they should be. Ministers feel that they hear widely conflicting advice on how to resolve these matters, precisely because the Assembly Government lacks a well-informed, Creative Industries Strategic Hub to provide leadership and direction.

In designing a fit for purpose film “spoke” for the re-vamped hub envisaged by this review, decisions will need to be taken about the appropriate goals, level of resource and agency structure for film, which should continue to receive whatever funding is allocated to it by the Assembly Government through the proposed Creative Industries Fund. Both the Film Agency and the Welsh Screen Commission do important work, much of it cultural rather than economic in character, but there is surely an opportunity to bring their activities together in a way which improves Welsh Film’s marketing profile and achieves greater efficiency. Sorting this out should be an early priority of the proposed Creative Industries Board. Having established a sound organisational base for film in Wales, issues such as the relationship between film and public service broadcasting in Wales will be more successfully addressed.

Recommendation: the new Creative Industries Strategic Hub should re-organise Wales’ support for the film industry in a way which maximises its economic impact and efficiency, taking due account of non-economic issues and claims. This new film “spoke” should provide the expertise needed for location support to film and television companies, as well as film expertise for the Creative Industries Fund. The new spoke would also play an important role in film and television on issues such as business support, training and access to Assembly Government funding. The Assembly Government should seek to ensure that Wales receives a fair share of UK-wide funding programmes for film.

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10. Spokes: Music

From a music industry perspective, a fund like the Wales Creative IP Fund which makes long-term equity investments of between £50,000 and £700,000 each is not what the market needs. The Welsh Music Foundation told the review that their members would prefer a simpler, small grant or seed-investment fund as part of a package of support, which would include appropriately expert business support services. WMF, created in 1999 as a sector network for the commercial music industry, appears to have done a good job in promoting understanding of the best approaches to enabling talent to generate sustainable business activities through focus upon intellectual property rights. A network of this kind has a number of benefits: it enables Government to understand the views and needs of the sector; it ensures that funding and business support offers become known throughout a sector rather than being confined to random physical networks close to the centre of political power; it is a platform around which players within a sector can debate and sometimes even settle their differences and, in bringing the sector together, it can highlight and nourish often unseen supply chains which contribute to wealth formation and distribution. For any government officer or agency engaged in the business of “picking winners” or, in the creative sector, identifying hits, the buzz that emerges in a network is often the only tangible evidence that a particular act or project is starting to generate an audience.

In evidence to the review, the IP Fund itself said that it too would favour a micro-loan scheme aimed at the music sector. This would enable well timed support to be made available, for example to a small label seeking to break a band into the touring circuit or to achieve a distribution deal.

There is also a case for well-judged public support to commercial popular music events in Wales, based upon the established success of festivals like the Green Man, Wakestock and Swn and their potential in terms of visitor numbers and other economic gains. The organisers of the Green Man Festival noted that in England, Arts Council funding is more readily available to festivals which have commercial as well as cultural objectives. It will be important as Wales develops its thinking and support for the creative industries sector that there is a much improved working relationship between the ACW and the relevant parts of the Assembly Government.

Public support for physical infrastructure can also be important in the music industry. A successful rehearsal rooms pilot project in Wrexham, costing £20,000, has provided the basis for a England-wide roll-out of this programme, and should be further developed.

Recommendation: the proposed Creative Industries Fund should be designed in a way to ensure that it makes an impact on the music industry. This will require some form of small grant/seed grant programme to help commercial music businesses develop an IP-retaining approach, and to support popular music events which have the potential to boost economic benefits to Wales. The Welsh Music Foundation should continue to operate as the music industry’s “spoke” in the creative industries.

The review also heard from the music industry the case for establishing a Welsh licensing and royalties collecting body to resist recent falls in royalty payments through the UK Performing Rights Society and to exploit Welsh IP more effectively. During the review, the University of Bangor published a report, supported by the Welsh Music Foundation and the Assembly Government and delivered under the Academic Expertise for Business (A4B) programme.^{xiii}

This report recommends that the Assembly Government funds a feasibility study for establishing an independent Welsh Music Royalties Society. The report also makes a number of other recommendations for business support, additional academic research and improved links between tourism promotion and Welsh music.

Although this review also heard from musicians who do not believe that establishing an independent royalties society is the biggest priority for the sector, the Bangor research suggests that there is overwhelming concern about falling royalties and that in excess of 80 per cent of musicians who took part in a survey favour creating a dedicated Welsh royalties organisation, empowered to negotiate from a position of greater strength with BBC Radio Cymru and S4C, the largest users of Welsh language popular music. The research also considers examples from other small European countries, Croatia and Estonia, to show how an independent approach to performing rights can pay off over time. This is an important aspect of IP ownership rights, albeit one in deep flux in a world of easy and often illegal file-sharing.

Recommendation: The Assembly Government should invite the Welsh Music Foundation to cost a feasibility study for a Wales performing rights royalties system and make its own recommendations to the Assembly Government on the level of priority to be attached to this project, compared with other priorities for the Welsh music sector. Any move to create a Wales royalties agency must be able to demonstrate convincingly that the financial and economic benefits would outweigh its costs within a defined time period.

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11. Spokes: Digital

The most obvious gap in the current creative industries strategy in Wales is an area of activity which goes under a variety of names: on-line media; interactive media; new media; web-based media or, sometimes, just digital or digital content. The slipperiness of terms is an indication of an area of industrial activity which has not yet settled down into predictable patterns and which continues to disrupt existing business models left, right and centre. Matters are complicated by the fact that longstanding or "old" media are themselves these days almost entirely digital, which means that they can potentially be carried on any digital platform, from mobile phones to laptops and High Definition Television sets. You can listen to radio on your computer and you can look up railway timetables on your TV set. Digital media are the key to the future of the entertainment and information industries; digital content is also important to almost every other business sector, as well as to public services like health, transport and education.

At this stage of the market's development, however, it remains useful to continue to think about television, film, music, print media, radio and video games, whilst understanding that at the edges these all morph into each other. It remains a fact that traditional linear television, carried on heavily branded channels, remains a potent convenor of mass audiences for live programmes like X-Factor and Britain's Got Talent, long after many techno-pundits had foreseen the demise of Big Television. Newspapers are under pressure, but they are not dead.

But digital media, the term used in this section, represent the promised land for creative industries policy. Get this right and everything else will follow. Policy makers around the world are all looking for the best way forward. The competition is intense, the risks great, the opportunities substantial.

Against this ferocious competition, Wales does not start from a leading position, although its strengths in television and music are important assets in the digital world. At present, we do not even have a decent map of the scale of Wales' presence in Digital Media. The review heard some describe the scene as lively and vigorous, whilst players in digital media in Wales complained at the lack of suitably skilled people emerging from Welsh schools, colleges and universities. We don't really know how many people work in this sector (Northern Alliance, in their review of the IP Fund, put the number in the interactive sector in Wales at 1,700). We do know that Wales does not have a significant computer games industry, unlike Scotland and England; that the IP Fund's one investment in this area was a flop; and that the longest established video games company in Wales, Broadsword, created a moment of drama in the review by going bust the day before being due to give us its views in September.

David Rowe, who started Broadsword in Aberystwyth almost 15 years ago, subsequently contributed a discussion document,^{xiv} along with a submission from Cube, a Cardiff-based digital media company and another from a Cardiff-based digital consultancy, Nocci. David Rowe describes the struggle for games developers in holding on to the value of their core intellectual property and the fierce competition within the industry driving down prices to consumers. He foresees the games business dividing between “the technology-challenging grand epic” which will be created by teams of over a hundred, often “in-house” by the games publishers, and smaller scale games based upon a memory size that can be readily downloaded via broadband. Wales lacks games studios on the grand epic scale but, according to a number of people who gave their views to this review, Wales does have a substantial network of cottage industry players, as well as several companies employing between 10 and 50 people, most of them engaged in a diverse array of software creation, consultancy and digital problem-solving for a range of clients. Welsh companies are already supplying games and other applications for companies like Apple, Nintendo, Sony and Wii. They are also working for local authorities, police authorities and the NHS. According to David Rowe: “the opportunity to establish a games industry with a future in Wales has never been stronger.”

David Rowe’s checklist of things that Government can do to make this a reality are as follows:

1. Map those who are working on games or with games-related skills in Wales.
2. Establish a Welsh Games Forum for member developers, with a contacts database on its website.
3. This Forum could conduct dialogue with the Assembly Government and facilitate marketing, job search, legal work and trade missions, like other industry network bodies.
4. The Forum would also explain and make accessible public funding and business support mechanisms to its members, as the Welsh Music Foundation does.
5. Create a portal within the website for Welsh developers to place games for download.

The Assembly Government commissioned Neil Cocker, founder of the Cardiff-based Network of Creative and Cultural Industries (Nocci), and Luke Hodge, Principle Director of b2b IT Services, to assess the potential for the kind of network advocated on behalf of the games industry by David Rowe. They tested the idea with reference to a wider spectrum of digital players, from what Neil calls “digital Nomads” to small and

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medium sized companies. Their consultancy report^{xv} for the Assembly Government concluded that creative industries people in Wales would welcome a Digitally Networked Business platform, possibly supported by one or more physical centres where digital media business can cluster, but that such a network would need to grow organically from within the community rather than being designed from above or, even worse, imposed. Social networking technology of the kind used by Facebook, LinkedIn and Twitter provide an obvious means of constructing such a network. The question is how to galvanise and nurture the network in a way that it gathers momentum and participation. The Welsh Music Foundation probably has some relevant lessons for the digital media community.

Wil Stephens, founder of Cardiff-based Cube, also wrote a note for the review taking a wider view.^{xvi} His company operates out of a spontaneously arising digital cluster around Mount Stuart Square in Cardiff Bay, which is home to more than a dozen digital businesses of one kind or another. Wil points out that the term new media has passed its sell-by date because “all media are now new”. Cube sees, for a period at least, a useful distinction between content origination and digital mediation, meaning the process of packaging, aggregating, pricing and distributing content. Cube’s advice to the review is as follows:

1. Ensure that the broadband infrastructure in Wales keeps pace.
2. A major push to upgrade and update technology skills through a new partnership between digital business and education.
3. Funding support that recognises the need for pace, flexibility and risk – “there is no need to spend money establishing incubators and Techniums,” which in Wil’s view belong to a bygone stage of the digital age.
4. Mobilise the public sector’s need for digital solutions in healthcare, education and the publicly funded broadcasting industry as a way of getting orders for and building up independent digital suppliers in Wales.
5. Create a new type of Creative IP Fund, with a £10m pot, bringing together the Assembly Government, S4C Commercial and other commercial partners. It would offer “seed funding” packages on a commercial basis from £30,000 to £500,000. The governing investment committee would recruit experts who would be paid chiefly on the basis of a share in the growth of the fund. Investment criteria would include economic benefit to Wales and capability to reach markets outside Wales.

These are just three sets of ideas from three young, but in their different ways remarkably experienced, Welsh digital entrepreneurs. Here is the tip at least of a market which, at present, the Assembly Government and its apparatus of funds and business support does not understand and, for the most part, does not touch. This review represents a golden opportunity to change that. It is time for the Assembly Government to take digital media seriously, by getting the education and training context right, by well-judged financial incentives and investment and, crucially, by joining up its thinking about creative content industries with the vital task of ensuring that Wales' broadband infrastructure is up to scratch. This means not only ensuring strong coverage to all homes of broadband at acceptable speed, but also ensuring that digital specialists have access in sufficient digital hot-spots in Wales to handle the very large digital files which are routinely used in today's digital content companies, whether in high definition television, digital cinema, advertising or games development.

For Wales, this remains a sector in the first stage of growth, but one in which Wales can still do well with the right policy and investment framework and a sustained political lead. Without a stronger performance in this area, the success of the whole creative industries strategy will be in jeopardy.

Recommendation: the new Creative Industries Fund should be designed in a way that responds decisively to the needs of the digital media sector. It should consider specifically the fund structure proposed by Cube. The Creative Industries Board should use its influence to ensure that key public service broadcasters, especially Channel 4, S4C and the BBC, achieve in Wales a fair share of online commissioning. The Creative Industries Strategic Hub should work closely with the digital media sector to establish what type of business network structure would provide a sound basis for a digital media spoke connecting to the hub. The Hub should also undertake a study of patterns of digital media procurement from Wales' public sector.

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12. Spokes: Radio

Radio is an aspect of creative industries which figures too little in the debate about the economic importance of creative industries in Wales. Radio consumption in Wales is relatively high and there are new opportunities emerging in the community radio sector, towards which the Assembly Government plans to contribute £500,000 over the five years to 2013; and potentially in the commercial sector as the UK as a whole pursues a transition to DAB technology in the next five years. The radio sector in Wales is dominated by the BBC (Radio Wales and Radio Cymru along with the BBC's popular UK-wide radio network services) plus a substantial and profitable commercial radio sector where ownership is divided among a handful of owners. Compared with television, the independent production sector in radio is small, though in Wales a number of television indies also make radio programmes. With UK Government policy showing increasing favour towards relaxing cross-media ownership rules, it will be necessary for the Assembly Government's future approach to creative industries to consider more fully the place of radio, along with the future of newspapers and publishing. It is also the case, as the Institute of Welsh Affairs has long argued, that UK perspectives on radio licensing and regulation too easily overlook the distinctive features and needs of radio in Wales.^{xvii}

Recommendation: the new Creative Industries Strategic Hub should have a radio "spoke." This spoke should provide the expertise to administer the community radio support programme successfully and to ensure that radio's interests and potential are fully reflected in the Assembly Government's thinking about digital media.

13. Other Creative Industries

Scant attention has been paid in the discussion about creative industries in Wales to those creative industries, as defined by DCMS, that sit outside the main media sub-sectors and their close digital cousins. These sub-sectors – advertising, architecture, crafts, design, fashion design, performing arts, publishing and software – should not be ignored in the next stage of thinking by the Assembly Government. At present, these sub-sectors receive significantly less funding for essential support services such as training compared with television and film.

It has been beyond the means of this brief review of creative industries to explore these sub-sectors in depth though, as already noted, I have set in train some basic mapping to ensure that we know the scale of Wales' presence in each sub-sector. It will be for the new Creative Industries Strategic Hub, under the guidance of the Creative Industries Board, to consider this map and to determine the best way of responding to each sub-sector. Will each require a separate spoke? Should any or all of these sub-sectors have access to the Creative Industries Fund? (What, for example, of a sub-sector like advertising, important commercially but once described as "business' revenge on culture.") UK-wide bodies such as the Design Council and NESTA, which promotes innovation across the creative sector currently have no Welsh arm or equivalent. What is the best way to think about these issues for the future?

Among other specific sub-sectors, one of the largest, in terms of employment, is craft, with an estimated 3,530 employees. It is currently supported by the Crafts Council and Fforwm Crefft Cymru, which receive £25,000 per annum from the Assembly Government through DE&T. This funding is currently due to end in 2011. The review has not explored this issue further, but it should be re-considered by the Creative Industries Strategic Hub in the context of any changes to the Assembly Government's structures and strategy on creative industries.

In the publishing sector, the Welsh Books Council, founded in 1961, receives an annual grant of £3.8m from the Assembly Government via the Heritage Department, which supports a staff of 49 people delivering distribution and other services to the Welsh books trade. The Assembly Government is also currently committed to spending £600,000 over three years to establish a Wales-wide network of Welsh language community news and information sites. This project is being run by Golwg, the Welsh language publisher, with support from Tinopolis.

Recommendation: as a next step, the Creative Industries Strategic Hub should map Wales' presence in all 14 sub-sectors of the creative industries as defined by DCMS. Based upon that analysis, the Hub should make recommendations to the Creative Industries Board on an appropriate response to each sub-sector, based upon the perceived

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viability of its potential economic contribution to Wales. Judgments should be made about the desirability and scope of specific policy interventions and the design and availability of business support.

A number of these creative industry sub-sectors, however, exist in that part of the creative economy which is traditionally considered non-commercial: the world of subsidised art, music, theatre, dance and other activities valued primarily for their cultural attributes rather than their economic significance. In this area, the Arts Council of Wales is the major channel of funding.

Nick Capaldi, Chief Executive of ACW, accepted an invitation to discuss the creative industries agenda with this review and subsequently contributed an important note.^{xviii} This endorses the importance the Assembly Government is attaching to support for the creative industries through the current review and adds: "As you'd expect from the Arts Council, we always argue that the arts are important in their own right. But we're also trying to get across to government the message that the creative and cultural industries are a vital engine for Wales's economy. They contribute directly in terms of jobs and the generation of wealth through the creation, distribution and retail of goods and services. The dominant global companies of the past – especially in Wales – used to be concerned with industry and manufacturing. The key corporations of the future will be increasingly in the fields of communications, information, entertainment, science and technology. These require high degrees of creative imagination and entrepreneurial vision – qualities that the arts are ideally placed to nurture and develop."

The note goes on to say that the Arts Council should not be spending public money where the market can sustain artistic activity without compromising its artistic integrity. The Council's current focus is upon advocating better provision of creative workspaces for artists and embryonic creative businesses; encouragement for those who produce original content to maximise the commercial benefit from their activities and, working with partners, improving training, education and business support. "We're particularly keen to work with the Assembly Government to develop appropriate strategies for mentoring/ business support to the cultural organisations that sit within the creative industries. At present, these sectors are not on the Assembly Government's radar because of where they've chosen to focus their priorities."

For Wales to succeed economically in the creative industries it will need a new compact between the ACW and the new Creative Industries Strategic Hub. The links need to be strong at the strategic and analytical level as well as in delivering business support, mentoring, education and

training. The practical mechanics of this new relationship need careful thought in order to extract the maximum economic benefit whilst respecting the claims of artistic integrity on the one side and economic ambition on the other.

A good example is the use of digital technology to connect cinemas and arts centres across Wales in order to permit the widespread sharing of live performances and events. As the ACW asks: "Live screenings beamed into Wales from London's National Theatre and New York Met have already given a glimpse of what's possible. But what about the Wales Millennium Centre, or any number of other venues in Wales? Smaller work in either language could find a larger audience; larger productions where the cost of touring extensively might be prohibitive, could be appreciated digitally."

We also asked Nick Capaldi whether he shared the review's instinct that responsibility for Creative Industries should remain within DE&T. He did not agree and suggests in his note that the responsibility falls to a "renamed (and possibly re-scoped) Heritage Ministry: the Department for Creative and Cultural Enterprise."

Recommendation: the Chief Executive of the Arts Council of Wales should join the Creative Industries Board, as part of a major effort to act more effectively on areas of common interest between creative industries and the arts in terms of business support, education and training. ACW should also advise the board and the CI Strategic Hub on the development of spokes for creative industry sub-sectors in which it has expertise. The Creative Industries Strategic Hub should seek to agree with the ACW a formal compact design to ensure the sustainability and further development of these shared services and activities.

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14. Training and Skills

The terms of reference for this review requested advice on “how to take forward skills development for and within the sector, taking into account existing sector skills priorities.” There is no doubt that without a comprehensive and co-ordinated approach in this area, neither the Digital Wales agenda nor a refreshed Creative Industries strategy will enjoy sustainable success.

Happily, the picture is quite positive with regard to training issues on the media side of creative industries, with a good supply of new initiatives and impressive examples of collaboration between employers and educational institutions. What appears to be missing is both the helicopter view across the whole creative industries domain that you would expect to be able to achieve from the vantage point of a fully functioning Creative Industries Strategic Hub. People from the digital media sector also told the review that they often struggled to find appropriately educated and trained individuals in Wales and had to resort to filling slots from London. In section 11 above, a leading player in the Welsh digital media sector calls for stronger engagement from education.

There are three relevant Sector Skills Councils in the creative sector. Skillset looks after TV, film, radio and interactive media; CCSkills deals with performing arts, music and craft and the E-skills Sector Skills Council covers business and information technology and published in 2008 an ambitious review of trends and opportunities in the labour markets with which it is concerned. This SSC has explicitly picked up the Digital Britain agenda – another positive indicator.

Stakeholders from the broadcasting and film industries expressed broad satisfaction about these arrangements to the review. Stakeholders in music and performing arts, along with the Arts Council for Wales, said that progress was being made but that higher ambition is needed.

A particularly encouraging development is the growth of collaboration between Sector Skills Councils, universities and FE colleges. The Skillset Media Academy links Cardiff School of Journalism, Glamorgan, Newport and Aberystwyth to achieve scrutiny of courses, staff, equipment and facilities. The Skillset Screen Academy consortium brings together Newport, Glamorgan, Swansea Metropolitan and Royal College of Music and Drama. These two combined academies have secured support from HEFCW through the Economic Initiative to create a fund of over £800,000 for continuing professional development for companies through the economic downturn. This programme is known as Academi + and was recently commended as an example of good practice.

The Assembly Government's influence in the zone of higher education is considerable. The Higher Education Funding Council for Wales is responsible for distributing £440m a year of grant in aid to cover education, research and related activities, to be spent broadly in accordance with the Assembly Government's priorities. The Assembly Government outlines guidance in the form of a letter to HEFCW every year and the 2009 letter included guidance to "support the development of the knowledge economy in Wales."

Although there is always some tension between academic institutions and politicians over the extent to which public funding should be conditional upon specific impacts, there is no doubt that, within Wales, there is a healthy dialogue between the Assembly Government and academic institutions. The needs of the creative sector and the digital economy, far from being neglected, are being addressed, as envisaged by the 2004 Creative Industries Strategy.

On the research side, there are also many good examples of collaboration between universities and creative businesses. The Assembly Government, for example, is supporting the Institute of Advanced Broadcasting, based at Newport University, to pilot a new model of microbroadcasting in the South Wales Valleys – an initiative which brings together content and technological issues. Aberystwyth has a strategic partnership with Boomerang, the television production company, which has already led to a successful application for a Knowledge Transfer Partnership involving the Assembly Government and the Arts and Humanities Research Council on children's responses to television. Aberystwyth's Arts Centre has a dedicated Director for Enterprise and Knowledge transfer and a good track record of spin-outs and spin-ins. Meanwhile in December, Wales' Education Minister launched the Digital Wales Research Centre, a joint initiative between DCELLS and DE&T. The Academic Expertise for Business (A4B) programme (a £60m investment package, launched in 2008, to boost the economy by unlocking commercial research and development potential in Welsh universities) has already delivered projects relevant to the creative industries.

Some academic leaders who gave evidence to the review said that the 2004 creative industries strategy had made very little impact upon them because, in the words of one "it never really took shape or happened." These leaders, however, were all very interested in identifying new ways in which their institutions' knowledge, expertise and capacity in research and teaching could be applied to understanding and further developing Wales' digital economy and creative industries. It would be helpful, they said, if the Assembly Government could sponsor the creation of a high level Academic Creative Industries Forum within Wales in order to help

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build stronger personal and working across the creative industries more broadly. This is an idea that the new Creative Industries Board should explore.

There is some danger that, amid this considerable volume of activity in both teaching and research, that focus will be lost and quality suffer, but the emergence of a clearer and stronger strategic direction on creative industries within the Assembly Government can only help provide greater shape to the academic-business relationship. Wales is fortunate to have a lively university sector in film, broadcasting, publishing and, to some extent, new media. But the pace of change is hot and the competition hotter. The parts of the creative sector which lay outside the media have not been subject to the same degree of scrutiny or support and this should be a priority for the coming period. Wales has educational assets in the creative sector which it needs to continue to nurture. The educational response can only benefit from the emergence of a clearer and more purposeful approach to the digital economy and the creative industries of the kind advocated in this review.

Recommendation: all Sector Skills Councils with a role in creative industries should evaluate courses in their areas where this has not already happened. SSCs should collaborate wherever possible, in the interests of efficiency and delivering impact. The Creative Industries Board should consider the needs of those sub-sectors of creative industries where assessment of courses and teaching capacity has not yet taken place in order to compile an overall picture of capacity and capability in teaching across all of the creative industries. The Creative Industries Board should take a close interest in research and knowledge transfer issues, with the aim on ensuring that Wales builds on its growing university infrastructure in knowledge transfer in a way that is both efficient and well targeted.

15. Conclusions and Recommendations: The Heart of Digital Wales

In the last five years, Wales has moved a long way towards recognising the importance of its creative industries and putting in place the infrastructure to support their growth. The National Assembly has debated the issues and generated a strong critique of aspects of UK Government policy and regulation, as well as challenging the record of big players, such as the BBC, ITV and S4C. There has been acknowledgment of the urgent relevance for Wales of the Digital Britain policy framework set out last summer by the Westminster Government and, within the Assembly Government, there have been conscious attempts to develop a suitably matching Digital Wales programme. The Assembly Government has acted upon its 2004 Creative Industries Strategy in setting up the Creative IP Fund, raising Wales' game in skills, training and education and by initiating a more strategic approach to certain Government initiatives.

Taken as a whole, this is not a bad record. But, in a sector as competitive as creative industries, it is essential to maintain pace and deepen quality. This review is a response to concerns that, in spite of all the efforts to date, more needs to be done. Today, too much is happening of low quality and in an insufficiently joined up manner. Too little meaningful evaluation is being applied to the policies and programmes that are in place. This must change. If government chooses to manage culture and the economy in separate silos, Wales will not succeed in nurturing the kind of creative knowledge economy or "ideas culture" upon which its future depends.

The connecting theme of the recommendations that follow is that Wales needs to establish a capability to develop strategy across the many Government departments that have a stake in the digital economy and that DE&T needs a refreshed and significantly more ambitious creative industries strategy, led by a Creative Industries Board and managed through a new Creative Industries Strategic Hub. There is experience here upon which to build but no room for complacency about the scale of the change that is needed. Wales needs to raise its game.

This review has laid great stress upon strategic clarity; indeed, the word "strategy" may strike some as having been overused. The author is well aware of the business maxim that "culture eats strategy for breakfast." Embedding a structure into the Assembly Government machine where civil servants exploit to the full the creative industries expertise and advice from beyond Government is the key to success in all sector-focused economic development. That requires significant cultural change within Government. If Wales is to fight its way out of relative economic underperformance, it will need the right strategy and the right culture among Government officials, as well as great leadership within the private

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sector. Today, Wales has a genuine opportunity in creative industries, but no-one should imagine that success will come easily.

The recommendations below appear in a sequence different from the text above, but their essential content is the same.

- 1. Strategic direction: in order to address the needs of Wales' digital economy and its related creative industries sector, Ministers should put in place strong cross-cutting machinery to ensure clarity of strategic purpose and tight accountability for results. A Digital Wales Board, run by a Director for Digital Wales and chaired by a suitably experienced person from outside Government, would provide the over-arching framework for all aspects of the digital economy and all responses to the "Digital Britain" agenda and its successors. Nesting within this structure would sit a new Creative Industries Strategic Hub, led by a new Head of Creative Industries and supported by a Creative Industries Board, also chaired by an external appointee with expertise in the sector and joined by a small number of additional external members. The Creative Industries Strategic Hub would connect to an increased number of sub-sector spokes (film, television, music, digital media, design etc), enabling Wales to achieve coverage of all 14 sub-sectors of the creative industries. The Hub would also feature a strong partnership with the Arts Council of Wales, whose Chief Executive would be a member ex officio of a new Creative Industries Board, supported by a new compact between the Assembly Government and the Arts Council. The Creative Industries Board would oversee all of the Assembly Government's creative industries work, including a proposed new Creative Industries Fund (see below). Both the new Head of Creative Industries and the Chair of the Creative Industries Board would sit on the Digital Wales Board, ensuring tight linkage between creative content and connectivity. The Creative Industries Strategic Hub and its core team would sit, within DE&T. These arrangements could then be mirrored in the structure of National Assembly committees.**

The remit of the Creative Industries Board should include:

- Develop strategy towards the sector, working to Ministerial policy**
- Keep in touch with the Digital Wales agenda to ensure that creative industries concerns are dealt with and opportunities seized**
- Monitor and evaluate delivery of the strategy against objectives, including the functioning of spokes relating to CI sub-sectors and the provision of business support**

- **Oversee and propose responses to audits of economic impact delivered on behalf of e.g. public service broadcasters**
 - **Supervise the Creative Industries Fund and any sub-committee/s responsible for investment**
 - **Liaise with the Digital Wales Research Hub, linking creative industries into innovation and knowledge transfer with higher education**
 - **Liaise with Sector Skills Councils ensuring that training and skills provision keeps pace with the sector's needs**
 - **Stay abreast of policy approaches to creative industries in other parts of the UK and beyond in order to learn from these**
2. **A new Creative Industries Fund: based on an orderly transition from the current Creative IP Fund. This fund is designed to be accessible immediately to all digital media industries: film, television, music and interactive media. Following further research into the needs of creative sub-sectors not covered in the IP Fund's remit, access should be extended where appropriate to meet their needs as well. It would, in effect, be a cluster of funds within a single marketing framework, ranging from small seed-funding offers and grants to substantial equity investments. The common criterion for all aspects of the fund should be that projects supported contribute to the success of Wales-based creative companies in markets outside Wales. Rules about personal conflicts of interest should be firm and transparently applied. Precise governance arrangements for the new fund to be determined by the Creative Industries Board. In addition to designing a new fund of its own, the Creative Industries Board should ensure that creative companies enjoy the best possible access to external funds, such as those available through bodies like the British Council, as well as to other general business funding sources within the Assembly Government, such as the Single Investment Fund.**
 3. **Map the whole creative industries sector: as a first step to extending its reach to all 14 creative industries sub-sectors, the Creative Industries Strategic Hub should map the scale and needs of each sub-sector and make recommendations about the best way to accommodate each within the hub and spoke creative industries structure. Other data issues to be resolved include establishing up to date metrics against which the progress of Wales' creative economy can be measured.**

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4. **A £300m economic opportunity:** Wales should seek the maximum possible economic gain from the almost £300m of public funds currently spent on the media side of the creative industries alone. Most of this is Wales' "share" of money disbursed at the UK level to public service broadcasters. In support of this objective, Ministers and/or the Creative Industries Board should:
 - Ask S4C, the BBC and Channel 4 to deliver an annual audit of their economic impact on Wales and an assessment of economic issues looking one year ahead. These audits will provide a platform for exploring how these public service broadcasters can increase their economic impact in Wales. Once a year, the Chief Executives of these broadcasters should be invited to meet formally with the Creative Industries Board to discuss issues and plans, including levels of independent commissions and other economic issues. This process would be one way of seeking to ensure that all UK public service broadcasters, including Channel 4, enhance their commissioning levels in Wales as part of a shift to greater commitment to Wales in the wake of digital television switchover. Ofcom should be asked to extend its work in reviewing communications issues in Wales to provide an annual overview of the media economy in Wales.
 - In the case of S4C, the Assembly Government should establish with the S4C Authority a schedule of structured public dialogue, designed to broaden debate about S4C's activities. This could take the form of an annual exchange between the S4C Authority and the appropriate Committee of the National Assembly, looking forward as well as back; plus a twice-yearly exchange between S4C's Chief Executive and the proposed Creative Industries Board. The Assembly Government should also consider asking DCMS to commission a full review of S4C in order to address issues that can only be resolved by changes in parliamentary statute. Any such review should place upon the S4C Authority a requirement for it to ensure that S4C seeks the maximum level of economic impact consistent with its cultural and public service goals. A desirable outcome of such a review would be to allow S4C greater flexibility in its commercial decision-taking. In setting terms of reference for a review, DCMS should work in close partnership with the new Creative Industries Board of the Assembly Government.
 - The Assembly Government should do everything that it can to secure the full Media Capital project (building on the agreement already reached for the BBC drama village) and using this to

create a powerful creative industries cluster in South East Wales. It should also ask the BBC to review the remit and impact of its Audience Council for Wales and should ask Ofcom to review the remit and impact of its Advisory Committee for Wales.

- The Assembly Government should use its influence to ensure that the news consortium pilot planned for Wales goes ahead as currently planned.

5. **Film:** The Creative Industries Strategic Hub should recommend a re-organisation of Wales' support for the film industry designed to eliminate duplication and maximise economic impact and efficiency. This new film "spoke" should provide the expertise needed for location support to film and television companies as well as generating expert advice on film issues to the Creative Industries Fund. It should also play an important role in film and television on issues such as business support, training and access to other Assembly Government funding. The Creative Industries Board, with the help of Ministers, should seek to ensure that Wales receives a full share of UK-wide funding programmes for film.
6. **Music:** the new Creative Industries Fund should be designed in a way that makes it accessible to the music industry. This will require some form of small grant/seed funding programme to help commercial music businesses develop an IP-retaining approach; to support popular music events where investment can help boost economic benefits to Wales; and to assist in other ways, such as through support for rehearsal venues. The Welsh Music Foundation should continue to operate as the music industry's "spoke" in the creative industries. The Creative Industries Board should invite the Welsh Music Foundation to cost a feasibility study for a Wales performing rights royalties system and then make its own recommendations to the Assembly Government on the level of priority to be attached to this project, compared with other funding priorities for the Welsh language music sector. Any move to create a Welsh royalties agency must be able to demonstrate convincingly that the financial and economic benefits would outweigh its costs within a defined time period.
7. **Radio:** the Creative Industries Strategic Hub should have a radio "spoke." This spoke should provide the expertise to administer the community radio support programme successfully and to ensure that radio's interests and potential are fully reflected in the Assembly Government's thinking about digital media.

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- 8. Digital Media: building momentum in digital media is a top priority for the refreshed creative industries strategy and the Creative Industries Strategic Hub must make it a priority to understand how it can best make an impact. The new Creative Industries Fund should be designed in a way that responds decisively to the needs of the digital media sector and should consider specifically the fund structure proposed by Cube in its evidence to the review. The Creative Industries Board should use its influence to ensure that key public service broadcasters, especially Channel 4, S4C and the BBC, achieve an appropriate degree of digital interactive media commissioning in Wales. The Creative Industries Strategic Hub should work closely with the digital media sector to establish what type of network structure would provide a sound basis for a digital media spoke to facilitate engagement with Government programmes and sources of assistance. The Hub should also undertake a study of digital media procurement within Wales' public sector with a view to providing guidance on how this can be used to help build capacity in the Welsh digital content sector.**
- 9. Other creative industries sectors: links to the Arts Council of Wales: the CI Strategic Hub should complete the mapping of Wales' presence in all 14 sub-sectors of the creative industries, as defined by DCMS, and make recommendations to the Creative Industries Board on an appropriate response to each sub-sector, based upon the perceived viability of its increased economic contribution to Wales. Judgments should also be made about the desirability and scope of any specific policy interventions and in the design and availability of business support. The Arts Council of Wales is a significant source of resources and expertise for some of these non-media creative sub-sectors and should work closely with the Creative Industries Strategic Hub based upon a new compact on business support, education and training. ACW should also advise the Creative Industries Board and the Creative industries Strategic Hub on the development of spokes for creative industry sub-sectors in which it has expertise.**
- 10. Training and education: the Creative Industries Board should take a very close interest in the strategic shaping of all training and education issues which affect the creative industries sector. All Sector Skills Councils with a role in creative industries should evaluate courses in their areas where this has not already happened. SSCs should collaborate wherever possible, in the interests of efficiency and delivering impact. The Creative Industries Strategy Board should consider the needs of those sub-sectors of creative**

industries where assessment of courses and teaching capacity has not yet taken place in order to compile an overall picture of capacity and capability in teaching across all of the creative industries. The Creative Industries Board should take a close interest in research and knowledge transfer issues, with the aim on ensuring that Wales builds on its growing university infrastructure in knowledge transfer.

- i Welsh Assembly Government commissioned report: Government Policies and Support for the Creative Industries in the UK. Accessible at the publication pages of the Business and Economy part of the Welsh Assembly Government website: www.wales.gov.uk/businessandconomy
- ii Demanding Growth: Why the UK needs a recovery plan based on growth and innovation (NESTA – March, 2009): <http://www.nesta.org.uk/library/documents/PP%2001%20-%20Demanding%20Growth%20print.pdf>
- iii Welsh Assembly Government expenditure on creative industries 2008/09. Appendix 2.
- iv BIS and DCMS Digital Britain Final Report, June 2009. Crown Copyright. http://www.culture.gov.uk/what_we_do/broadcasting/6216.aspx
- v Creative success: A strategy for creative industries in Wales. Accessible at the publication pages of the Business and Economy part of the Welsh Assembly Government website: www.wales.gov.uk/businessandconomy
- vi Dai Davies evidence to review: <http://tiny.cc/DaiDavies1>
- vii Dai Davies evidence to review: <http://tiny.cc/DaiDavies2>
- viii Northern Alliance Updated Review of the Wales Creative IP Fund: Unpublished internal document.
- ix Price Waterhouse Coopers: BBC Wales Impact Study, March 2009. Unpublished.
- x Deloitte: The Economic Impact of the BBC 2008/09: accessible at: <http://www.bbc.co.uk/aboutthebbc/reports/>
- xi The Economic Impact of S4C on the Welsh Economy 2002-2006: Welsh Economy Research Unit, Cardiff Business School: http://www.s4c.co.uk/abouts4c/corporate/pdf/s4c_economic_report_2007.pdf

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- xii Film Agency for Wales: evidence to the Hargreaves Review, November 2009
- xiii Building New Business Strategies for the Music Industry in Wales: Available at www.bangor.ac.uk/music/documents/Business%20strategies%20for%20the%20Welsh%20music%20Industry.pdf
- xiv David Rowe discussion document: <http://broadswordgames.com/index.php/temporary>
- xv Welsh Assembly Government commissioned Creative Industries Sector Assessment: Accessible via the publication pages of the Business and Economy part of the Welsh Assembly Government website www.wales.gov.uk/businessandecomomy.
- xvi Cube's contribution to the review of Wales's Creative Industries: Available at www.cubeinteractive.cvo.uk/review
- xvii The Institute of Welsh Affairs:
Media in Wales, Serving Public Values by Geraint Talfan Davies and Nick Morris (May 2008) available via www.iwa.org.uk/research; English Language Television for Wales (the IWA's response to DCMS on Digital Britain – September 2009): the full press release may be accessed at www.iwa.org.uk/news.
English is a Welsh Language: Television's crisis in Wales, edited by Geraint Talfan Davies. IWA, March 2009. £9.99.
- xviii Arts Council of Wales: Creative Industries Review note, 15 October 2009. Available at www.artswales.org/publication.asp?id=939

Appendix 1

List of Stakeholders Consulted

Aled Eurig
Alan Edmunds, Media Wales
Ann Beynon, British Telecom
Aron Evans, Dinamo
Beryl Vertue, Hartswood Films
Bethan Cousins, Finance Wales
Bryn Roberts, Barcud Derwen
Clare Hudson, BBC Wales
Clive Jones
Dafydd Roberts, Sain Music
Dai Davies
Dan Isaacs, Kudos Film and TV
David Rowe, Broadsword
Dylan Iorwerth, Golwg
Elan Closs Stephens
Elin Rhys, Telesgop
Euryn Ogwen Williams, Boomerang
Fiona Stewart, Green Man Festival
Gareth Williams, Rondo Media
Gary Thompson,
University of Wales, Newport
Geraint Talfan Davies
Gub Neal, Artists Studio
Gwawr Hughes, Skillset
Gwion Owain, TAC
Phillipa Collie Cousins,
Hartswood Films
Helen Jay, Channel 4
Helen Milner, UK Online
Huw Eurig Davies, Boomerang
Huw Walters, Calon
Ian Jones
Iona Jones, S4C
James Moxey,
Swansea Metropolitan University
Jane Dauncey, Machine Productions
John Geraint, Green-Bay TV
John Hardy, John Hardy Music
John McVay, PACT
John Walter Jones, S4C Authority
Justin Lewis,
Cardiff School of Journalism,
Media and Cultural Studies
Linda James, Finance Wales
Lisa Matthews,
Welsh Music Foundation
Mark John, Vision Thing
Megan Stewart, Presentable
Mike Blair, ITV
Neil Cocker, Nocci
Nick Capaldi, Arts Council of Wales
Nicola Heywood Thomas
Paul Islwyn Thomas, Indus
Pauline Burt,
Film Agency for Wales
Peter Edwards,
Film Agency for Wales
Peter Wright, Finance Wales
Phil Henfry, ITV
Rachel Jones,
Arts & Business Cymru
Rebekah Gilbertson,
Rainy Day Films
Rhodri Talfan Davies, BBC Wales
Rhodri Williams, Ofcom

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Richard Moss, Mwnci

Richard Staniforth, Ateb Media

Richard Turner, University of Wales

Robin Lyons, Calon

Ron Jones, Tinopolis

Shaun Day, Chief Economist, BBC

Simon Dancey, CC Skills

Simon Gibson, Wesley Clover

Stuart Cosgrove, Channel 4

Tom Loosemore, 4IP

Tony Ray, Dragon DI

Wil Stephens, Cube Interactive

Will Perrin, Talk About Local

Welsh Assembly Government Officials/Advisers

Allison Dowzell

Clive Bates

David Warrender

Gareth Hall

John Howells

Natasha Hale

Rhuanedd Richards

Richard Sewell

Rob Halford

Sharon Linnard

Tracey Burke

Department of Economy and Transport sector spend 2008/009		
Funding Organisation	Eligible Sub Sectors	Budget £
CBW	Film, TV, New Media & Music	£1,500,000*
SIF	All 13 sectors	£84,000
A4B	All 13 sub sectors	Nil
Enterprise Division	Craft Council	£25,000
International Business Wales	Film, TV, New Media & Music	£14,000
Regeneration	All 13 sub sectors	£1,204,000
Technology and Innovation	Software, Games	NIL
Total DE&T Budget		£2,827,000

Department of Sustainable Futures (Inc. Heritage)		
Programme	Eligible Sub Sectors	Budget £
Arts Council of Wales	Visual art, craft, film, music, performing arts and literature	£31,000,000 (plus £10,410,000 lottery)
Wales Arts International	As Arts Council of Wales	£292,000 (plus £53,000 British Council)
Wales Books Council	Publishing	£3,800,000
Golwg	Publishing	£250,000
Papurau Bro	Publishing	£74,073
Community Radio	Radio	£500,000 (2008-2012)
National Eisteddfod	Music, literature, performing arts, design	£478,839
Total Sustainable Futures		£46,857,912

Department for Education and Skills		
Funding Organisation	Eligible Sub Sectors	Budget £
HEFCW	All 13 sub sectors	£4,417,000
Skillset	Film, TV, Radio and New Media	£116,988
CCSkills	Music, Design, Craft and Performing Arts	Nil
E Skills	Software	£29,971
Total DCELLS		£4,563,959

*Reduced to £850,000 in 2009/10

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Ian Hargreaves has had a distinguished career in journalism and media. He is a former Deputy Editor of the Financial Times, Director of BBC News, Editor of the Independent and Editor of the New Statesman. He was a founding member of the board of Ofcom, the UK communications regulator. He is currently Director of Strategic Communications at the Foreign and Commonwealth Office, from where he was seconded to work on this review of Creative Industries. Ian is also Professor of Journalism at Cardiff University's School of Journalism, Media and Cultural Studies. He lives with his family in Penarth.

Ian was assisted in conducting the review by Natasha Hale, Creative Industries Sector Lead, Welsh Assembly Government. The Secretariat function was provided by Helene Powell, Sector Executive, Welsh Assembly Government.
