



Welsh Affairs Committee Inquiry “Globalisation and its impact on Wales”

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Section 1

Introduction

Broadcasting and the Creative Industries in Wales

Broadcasting in Wales is delivered primarily through three Welsh institutions, BBC Wales, ITV Wales and S4C. In addition, commercial radio services in Wales are provided by several of the UK's major radio groups including GCap, UTV Radio, GMG and Town & Country Radio.

Wales has a diverse range of independent production companies working in broadcasting, along with a few companies and freelance directors working specifically in the film industry. There are, in addition, a wide range of companies working in other areas of media related creative industries such as computer games, electronic publishing and new media. Increasingly, these companies operate in global markets.

However, broadcasting remains key to the creative industries in Wales, which is an economic sector of increased importance. As in many advanced economies elsewhere, it has received close policy attention in Wales from the Westminster and Welsh Assembly Governments. Wales' substantial broadcasting sector and a strong recent history of interventions designed to nurture the creative sector have, for example, also attracted the attentions of Scottish policy makers. Given the rapid and far reaching changes in communications technologies now taking place, it is clearly necessary for public policy to try to keep pace with developments in the market place.

There are encouraging signs in Wales' programme supply market, with, for example, a strengthened independent sector, an evolving S4C and BBC Wales' recent successes on the BBC networks with, for example, Dr Who and Torchwood. But there are also some very substantial challenges: Digital Switch Over (DSO), due to start in 2009 in Wales; the future provision of ITV in Wales; plurality of media voices and the fragmentation of advertising, all of which directly impact on the sustainability of public service broadcasting on commercial channels.

The relationship between the broadcasting sector and new media needs to be closely examined. This also raises interface issues with the newspaper industry, for example through the provision of audio visual news content on-line, particularly in Wales where domestic press provision is greatly outweighed by the influence of UK based media groups which own most of the titles read in Wales.

Commercial and community radio services have developed significantly in Wales during that last two years and are playing an increasingly important role in terms of news and information provision, particularly at a local or regional level. Competition to serve audiences in Wales is still evident; for example eight radio groups applied for the most recently advertised commercial radio licence to serve south Wales, which was eventually awarded to XFM, owned by GCap.

Wales faces significant broadband infrastructure and next generation access issues, and rural areas in particular risk isolation through an increasing digital divide. Consumer and citizen expectations, for example, of the delivery of audio visual content via broadband, may well exceed what is available technically in rural areas, where consumers and citizens could continue to experience multiple deprivation of

communications services, for example, a lack of mobile coverage, slow or unavailable broadband connections and a lack of digital television and digital radio coverage.

Ofcom's work on its second review of public service broadcasting (PSB) will be an important contribution to thinking across these areas along with its other strategic work on the radio spectrum, a vital economic resource, including the Digital Dividend Review (DDR).

DDR spectrum could be used for a wide range of new services, including wireless broadband access, mobile phone services, mobile multimedia services, additional digital television channels/ additional high definition television services and other new services. The DDR process will in essence be driven by market mechanisms and market demand. It is not for Ofcom to mandate the best use for this highly valuable resource but it is through market mechanisms that the most efficient use of the released spectrum will be achieved. However, realising the benefits from this process for consumers and citizens in Wales, where economies of scale are less evident than in the UK generally, could be a challenge. However, Ofcom aims to ensure that the design of the spectrum auctions will prevent 'spectrum hoarding' and other anti-competitive behaviours.

As a converged regulator, Ofcom has been able to supply a quality of data and evidence about the communications sector in Wales, through for example, its annual communications market reports; we therefore welcome the Committee's deliberations on this very important subject area.

Section 2

Television in Wales

General Provision

2.1 Public Service Broadcast (PSB) television is provided by three broadcasters in Wales: BBC Wales, ITV Wales and S4C. Both BBC Wales and ITV Wales provide programming aimed specifically for viewers in Wales by opting out from their respective UK network services. However, BBC Wales has greater flexibility to opt out of and/or re-schedule network programmes on its Wales channels (BBC 1 Wales, BBC 2 Wales and BBC 2W) than does ITV 1 Wales in relation to the ITV 1 network. Conversely, S4C operates three services with fully independent programme scheduling (S4C, S4C Digidol and S4C-2). Analogue Channel 4 is not broadcast on the fourth channel in Wales, which instead carries S4C's analogue service, which broadcasts Welsh language programming at peak times along with most of Channel 4's output screened at other times. Five is only broadcast in analogue from three sites in Wales and therefore has limited coverage. However, the full Channel 4 service and Five are available on all three digital platforms serving Wales, digital satellite - Sky Digital, digital cable – Virgin Media and digital terrestrial television (DTT) – Freeview, along with a large range of other (non-public service) commercial television channels, as in the rest of the UK. BBC Wales' services, ITV 1 Wales, S4C Digidol and S4C 2 are also available on these digital platforms in Wales (and across the UK on Sky Digital). Sky Digital and Virgin Media provide Wales versions of their electronic programme guides.

Regulatory Framework

2.2 The BBC's services are governed by the BBC Trust and S4C's services are provided by the S4C Authority (known as the Welsh Fourth Channel Authority or the Welsh Authority in legislation). However, Ofcom also has some specific regulatory functions relating to the BBC Trust and the S4C Authority as set out in the 2003 Communications Act¹ and the BBC/DCMS Agreement². The Agreement between the DCMS Secretary of State and the BBC sets out the services to be provided by the BBC³. The S4C Authority's public services have remits set out in the 2003 Communications Act⁴. The other public service broadcasters, the Channel 3 (ITV) services, GMTV, Channel 4, Five and Public Teletext also have remits set out in the Communications Act and these services are licensed and regulated by Ofcom, along with other non PSB commercial television and radio services broadcast to and from the United Kingdom⁵.

2.3 The ITV Wales service is provided under the Channel 3 licence for Wales and the West of England which is now held by ITV Plc⁶. Section 265 of the

¹ For example, Section 203, and Schedule 12 of the 2003 Communications Act.

² For example, Sections 91-95, BBC/DCMS Agreement.

³ Agreement between the DCMS Secretary of State and the BBC, July 2006.

⁴ 2003 Communications Act, Schedule 12, Part 2, Section 3 (2) and (3)

⁵ Section 211 of the 2003 Communications Act

⁶ As required by Section 214 of the 2003 Communications Act, the Wales and West of England Channel 3 licence currently held by ITV plc is a digital replacement licence issued on

2003 Communications Act sets out the public service remit for every Channel 3 licence, which is defined as “the provision of a range of high quality and diverse programming”. Under Section 287 of the Act, Ofcom can set minimum output quotas in the licence for the service’s ‘regional programmes’⁷ and the ITV Wales service must currently broadcast around 9 hours 20 minutes per week of first run news, current affairs and other programmes of specific interest to viewers in Wales⁸. At least 2 hours 30 minutes of news and 45 minutes per week of non-news programmes must be screened in peak (which is defined as 6pm to 10.30pm) and a minimum of 30 minutes of non-news programmes must be screened near-peak. 90% of these programmes broadcast by time must be produced within Wales.

2.4 Both S4C and S4C Digidol are public service channels provided by the Welsh Authority, with individual remits set out in the 2003 Communications Act⁹. In addition, the Authority also provides S4C-2, a digital only channel which carries coverage of the National Assembly plenary and committee hearings when in session. The coverage is provided to the Authority by the BBC. However, it is important to note that S4C-2 is not currently a public service channel, but rather a commercial channel licensed by Ofcom. The Authority took the decision to launch the channel in 1999, in order to make use of digital capacity gifted to it by order through the 1996 Broadcasting Act.

2.5 The Welsh Authority is currently seeking approval from the DCMS Secretary of State to launch a new children’s channel using the capacity currently allocated to S4C-2. Following a consultation process conducted by the Authority, the option that has gained most support in terms of the public responses received is for the creation of a full, dedicated children’s channel (leaving no capacity therefore to carry live coverage of National Assembly proceedings). However, if a full children’s channel were to be created, the Authority has expressed the view that, in relation to the Assembly coverage, “it may be that third parties would be willing to provide coverage for this service”¹⁰

Statements of Programme Policy

2.6 Section 266 requires the commercial public service broadcasters to produce annual statements of programme policy, which are prepared having regard to guidance given by Ofcom. Section 267 requires the broadcasters to consult Ofcom before making any significant changes in programme policy to be included in a statement, which would result in the service being “materially different in character” from previous years¹¹. The ITV Wales statement for 2007/8 and 2006 Review can be found on the ITV Plc web site: <http://www.itvlocal.com/wales/information/> (See [Appendix 1](#))

17 December 2004 which requires that a qualifying channel 3 service be provided in digital form along with a simulcast analogue service until digital switch over.

⁷ In this context ‘regional programmes’ are those produced by ITV Wales specifically for viewers in Wales, as opposed to ITV network programmes which are seen by viewers across the UK.

⁸ Set out in 1.4. The requirement is for first run, original programmes i.e. not repeats.

⁹ 2003 Communications Act, Schedule 12, Part 2, Section 3 (2) and (3)

¹⁰ P10, “*Serving Children in the Digital Future*”, An S4C Authority Consultation Paper.

¹¹ Section 267 (5) (b) - changes can be considered include those for a particular year and changes occurring gradually over a period of up to 3 years.

2.7 Similarly the Agreement between the BBC and the DCMS Secretary of State requires the BBC Trust and the BBC Executive Board to produce an annual statement of programme policy. In producing the statement they must consider the guidance given by Ofcom about the preparation of statements for the purposes of section 266 and reports previously published by Ofcom under sections 264 and 358 of the Communications Act 2003. The 2007/8 BBC Statement includes annexes setting out commitments for BBC One Wales and BBC Two Wales. The Trust has also published service licence agreements with the BBC for its television and radio services which also have annexes setting the key characteristics and remits of the BBC's services for Wales. (See Appendix 2)

2.8 The S4C Authority must also produce an annual statement of programme policy and the Authority must consider any guidance issued by Ofcom. However there is no provision for Ofcom to review any significant changes in relation to the BBC or the S4C Authority's statements as is the case with ITV Wales¹². (See Appendix 3)

The Ofcom Broadcasting Code

2.9 Ofcom is also required under the 1996 Broadcasting Act and the 2003 Communications Act to draw up a code for television and radio, covering standards in programmes, sponsorship, fairness and privacy. The code, known as The Broadcasting Code, applies to all television and radio services broadcast in the UK, but with certain exceptions in the case of the BBC and S4C¹³. Observance of the Code is a licence requirement in the case of Ofcom's licensees, in the case of the BBC's services through the terms of the BBC Agreement¹⁴ and in the case of S4C's services by statute¹⁵.

Monitoring the delivery of Public Service Broadcasting

2.10 Ofcom has a duty to assess the designated public service broadcasters, taken together, in terms of the delivery of the public service purposes set out in the 2003 Communications Act. The designated public service broadcasters are BBC, ITV 1, GMTV, Channel 4, Five, S4C and Teletext. The Act requires Ofcom to monitor the effectiveness of public service broadcasters in delivering the range of PSB Purposes and Characteristics (as set out in the Act). The four PSB purposes are:

- 1) informing understanding of the world;
- 2) stimulating knowledge and learning;
- 3) reflecting UK cultural identity and
- 4) representing diversity and alternative viewpoints.

¹² BBC/DCMS Agreement and in Schedule 12, Part 2, Section 4, 2003 Communications Act.

¹³ Sections 5,6, 9 and 10 of the Code, relating to due impartiality and accuracy, elections and referendums, sponsorship and commercial references do not apply to the BBC's licence fee funded services. Separate rules on constituency coverage during elections apply to S4C.

¹⁴ The Agreement, dated July 2006, between the BBC and DCMS Secretary of State and the BBC.

¹⁵ In the case of S4C-2, a commercial service licensed by Ofcom, compliance with the Code is a licence condition.

2.11 The PSB characteristics are:

- **high quality**, well- funded and well-produced programmes;
- **original**, new UK content rather than repeats or acquisitions;
- **innovative**, breaking new ideas or re-inventing existing approaches, rather than copying old ones;
- **challenging**, making viewers think;
- **engaging**, remaining accessible and attractive to viewers and
- **widely available**, where a large majority of citizens are given the chance to view content that is publicly funded.

2.12 Although the PSB channels are expected together to fulfil the purposes and characteristics within the PSB system it is also acknowledged that each PSB channel has a different remit (with access to different funding sources and different institutional approaches). Ofcom has developed an evidence base for assessing PSB delivery based on output hours, viewing figures and audience impact.

2.13 Output data is provided to Ofcom by the broadcasters each year as part of their PSB returns. Viewing figure data is provided by the Broadcasters' Audience Research Board (BARB), a UK-wide panel of 5,100 homes providing television viewing measurement data for the industry. From 2006, Ofcom has measured audience impact through the Ofcom PSB Tracker Survey, based on data collected during January, April, July and October¹⁶, from 7,500 telephone interviews carried out by GfK NOP. The survey asks regular viewers of each PSB channel their opinions on the delivery of the PSB Purposes and Characteristics. Ofcom is also provided with data from the BBC-GfK Pulse Survey, based on an on-line UK representative panel of 15,000 viewers.

Compliance with Regulatory Obligations

2.14 Ofcom must ensure that the output of television broadcasters is of high quality and that a broad range of programmes is provided, which are of interest to different types of audiences¹⁷. Television broadcasters have to comply with a number of regulations originating from UK or European legislation and, (with the exception of the BBC and S4C's public services), must also comply with the terms of their licences to broadcast, which are issued by Ofcom. The levels of regulatory intervention which Ofcom is required to apply depend on the category of broadcaster. The commercial public service broadcasters, ITV 1, Channel 4 and Five, operate under much tighter regulations than cable or satellite broadcasters. Regulation of the BBC is shared by both Ofcom and the BBC Trust, and in the case of S4C, between Ofcom and the S4C Authority. Both the BBC Trust and the S4C Authority set targets for their services but they must consult and agree with Ofcom on particular commitments such as quotas for news and current affairs.

2.15 The 2003 Communications Act describes a range of obligations that are designed to ensure that certain types of programmes are produced and

¹⁶ Giving the opportunity to examine whether particular programming, or times of the year have an impact on perceptions.

¹⁷ 2003 Communications Act, Section 3 (2) c.

broadcast in sufficient quantity. The Act places a duty on Ofcom to agree quotas with the broadcasters and monitor compliance for certain types of programmes:

- Original productions – commissioned in-house or from independent producers
- ‘Out of London’ productions – programmes supplied to the networks by producers based outside the M25
- Independent Productions – programmes supplied by independent producers
- UK-wide and International news and current affairs
- Programmes made specifically for the nations and regions
- Television access services – subtitling, signing and audio description

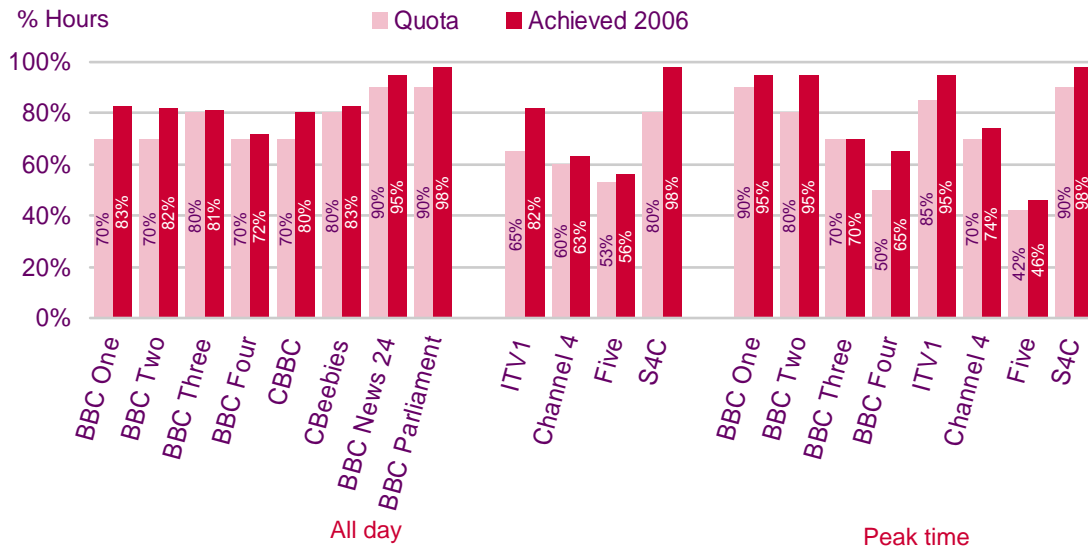
2.16 The Television Without Frontiers European Directive also sets targets for the broadcasting of programmes produced in Europe (including the UK) and for independent European programmes. It applies to all qualifying television services in the UK, a total of around 350 terrestrial, cable and satellite broadcasters.

2.17 The ability to deliver audio-visual content via an increasing number of networks and platforms is at the heart of the convergence process and, consequently, at the heart of regulatory debates around convergence. In Europe, recent debates have focused on the European Commission’s new Audiovisual Media Services (AVMS) Directive, which amends and modernises the current EU regulatory framework for cross-border television broadcasting. On 15 October 2007, after almost two years of negotiations, a common position was reached by the Council. The Directive is expected to be adopted in early December and member states will have two years for national implementation.

2.18 The new rules will apply to all ‘audio-visual media services’, defined as services which are under the editorial responsibility of a media service provider and whose principal purpose is the provision of television programmes via electronic communications networks. The Directive has thus extended its scope from traditional TV broadcasting to on-demand TV-like services (pulled services). Other forms of audio-visual material such as user-generated content or online games remain outside this scope. A minimum tier of basic rules will apply to all services, most prominently rules on protection of minors, human dignity and advertising standards. The new Directive also recognises the importance of self- and co-regulation, combined with media literacy, as effective ways of ensuring that viewers are protected in the new converged environment.

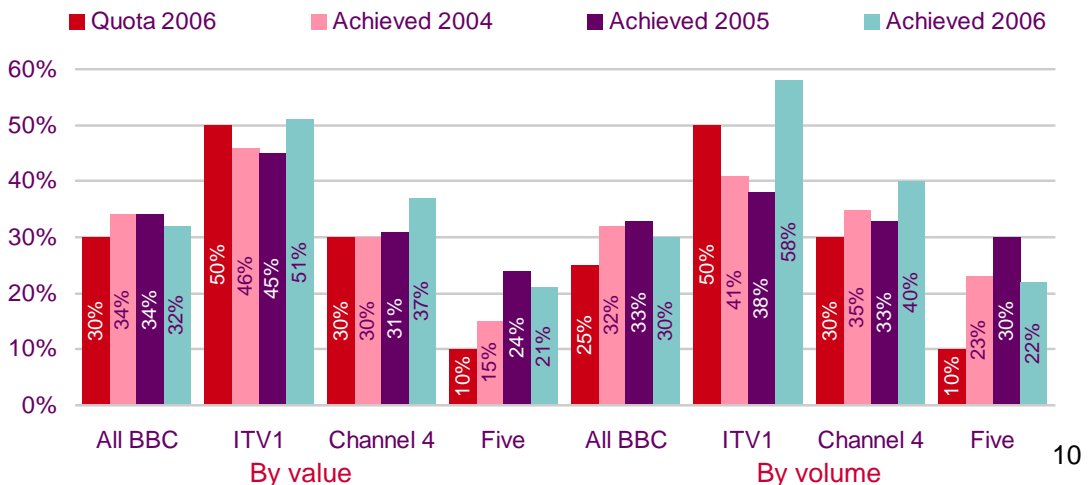
2.19 The television access services quotas apply to all PSB channels and to all other television services which achieve an average share over a 12 month period of 0.05% or more, subject to passing an affordability threshold and not facing insurmountable technical difficulties, such as the audio description of music and news programmes, where there is little space within the sound track or dialogue to provide the facility. A total of 75 terrestrial, cable and satellite channels were subject to access service obligations in 2006.

2.20 Original Productions: Original productions can be programmes produced in-house or commissioned from independent producers. The quotas are set at different levels for each of the PSBs and are designed to make sure that the majority of broadcasting time on PSB channels consists of programmes primarily from UK production sources rather than bought in from elsewhere. In peak time during 2006, 95% of all programmes on BBC 1, BBC 2 and ITV 1 were first run originations with only 5% made up of acquired programmes. On S4C, the proportion of originations was even higher at 98%.

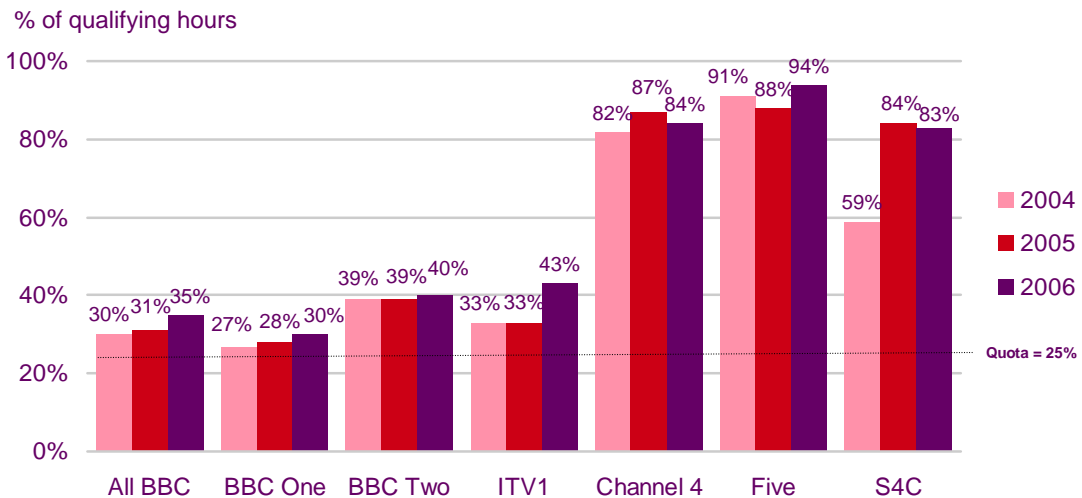


2.21 Production outside the M25: There are quotas to ensure that a proportion of UK programmes are made outside the London area, based on levels of expenditure and proportion by volume. The quotas are set at different levels for each broadcaster. For example, in the case of ITV 1 as a whole the quota is 50% by volume and spend. There are no separate quotas for the amount or spend on programmes to be sourced from particular nations or regions but the 2003 Communications Act places a responsibility on Ofcom to ensure that there is a range both of types of productions and of production centres outside London. In general, production – whether measured by spend or volume – continues to be concentrated in the English regions, with significantly less money spent on productions in Scotland, Wales and Northern Ireland. ITV Wales has won very few network commissions in recent years.

% of network production produced outside London, by value and by volume

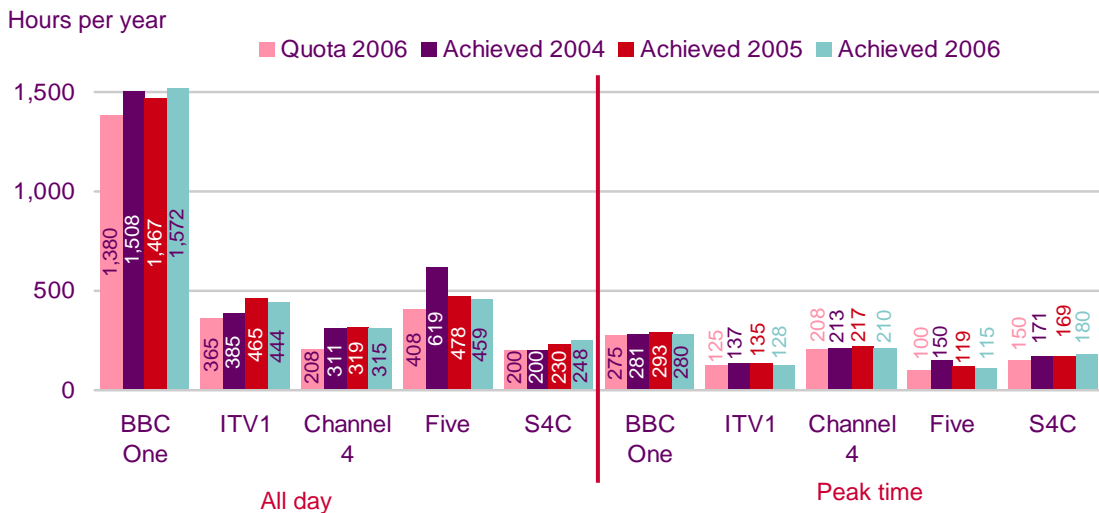


2.22 Independent Productions: All PSBs must commission at least 25% of qualifying programmes (essentially first-run original productions excluding news) from independent producers. Channel 4 and Five make hardly any programmes in-house and in 2006, 84% of commissioned programmes on Channel 4 and 94% on Five were made by independent production companies, while S4C achieved a figure of 84%. The BBC and ITV have long established in-house production bases but the number of hours commissioned from independents has increased over the years. In 2006, the BBC achieved a figure of 35% across all its PSB channels (including the digital channels) with 30% on BBC 1 and 40% on BBC 2. ITV 1 achieved 43%. Channel 4 and Five exceeded the quota of 25% by 82% and 91% respectively in 2004. In 2005, Channel 4 and Five achieved 87% and 88% respectively. In 2006, Channel 4 and Five achieved 84% and 94% respectively. S4C achieved 59% in 2004, 84% in 2005 and 83% in 2006. The BBC achieved 30% in 2004, 31% in 2005 and 35% in 2006. BBC One achieved 27% in 2004, 28% in 2005 and 30% in 2006. BBC Two achieved 39% in 2004, 39% in 2005 and 40% in 2006. ITV 1 achieved 33% in 2004, 33% in 2005 and 43% in 2006.



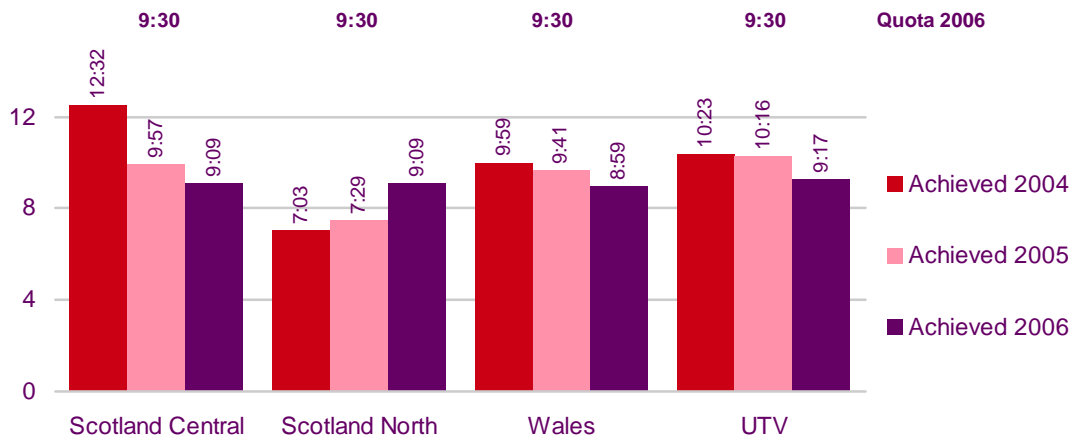
Source: Ofcom/Broadcasters

2.23 News and Current Affairs: Quotas are agreed at different levels for the volume of UK and international news programmes to be broadcast across the whole day and in peak. All the PSBs exceeded the quota during 2006. S4C's all day quota is 200 hours and in 2006 it broadcast 248 hours. Its peak time quota is 150 hours and in 2006 it achieved 180 hours.



2.24 Programmes Made for Viewers in the Nations and Regions: For ITV 1, quotas apply to all 15 licensed services and in recent years have been standardised across the English regions at an average of seven hours a week (News, 5.5. hours, non news 1.5 hours, including 26 minutes per week of current affairs)¹⁸. The minimum requirements for the nations have been maintained at a higher level than in the English regions. In Wales, it is currently a total of 9 hours and 20 minutes, 5 hours 20 minutes of news and 4 hours of non news (which includes around 47 minutes per week of current affairs). The BBC quota for non-network programming across all BBC 1 and BBC 2 nations and regions is set at 6580 hours annually. There are no separate quotas for individual nations or regions. The BBC achieved a total of 7,073 hours in 2006.

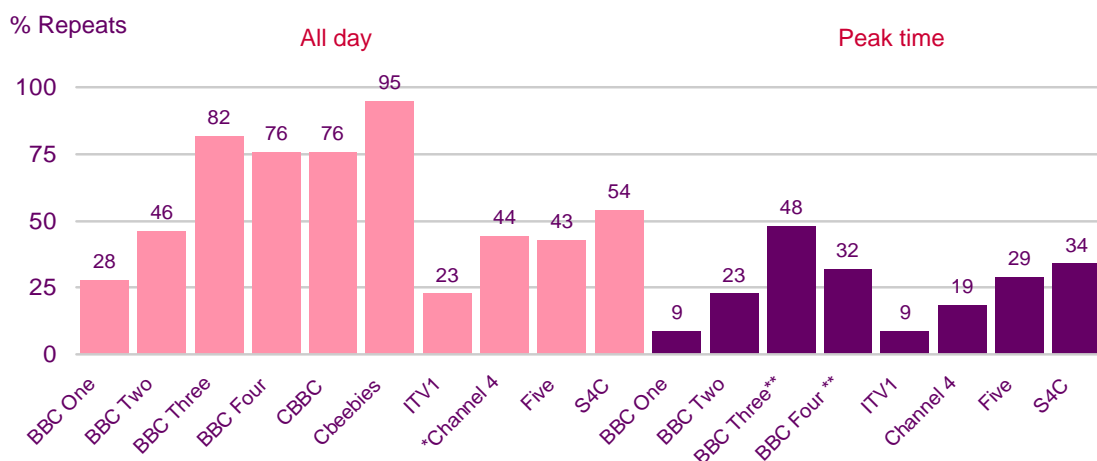
Average hours of regional programming per week hrs:mins



2.25 Repeats: There are no quotas to restrain the volume of repeats on any UK television channel (although the minimum quota of programmes screened by ITV in the nations and regions has to be made up of first run originations and not repeats). The proportion of repeats on BBC’s digital channels was very high in 2006, 82% on BBC 3 and 76% on BBC 4. BBC 1 and ITV 1 had lower levels of repeats in 2006 at 28% and 23% respectively while S4C’s repeat level that year was 54%. In the case of S4C, the repeat level reflects the broadcaster’s policy of ensuring multiple opportunities to view peak time Welsh language programming, maximising the investment made in these programmes. The DCMS Independent Review of S4C had noted the incidence of repeats in the S4C programme service¹⁹, “During 1999, the first full year of the digital service, S4C transmitted on average 81 hours of Welsh language programming a week, including BBC hours. By 2003, the hours transmitted has risen to 85, but the proportion of repeats increased from 32% in 1998 to 49% in 2003. Nothing intrinsically wrong with this. Giving viewers more chances to see programmes as channels multiply is the right strategy as long as you have the capacity to keep on making new programmes”

¹⁸ Due to a change in methodology for minutage calculations on shorter news bulletin, Ofcom has agreed with ITV to vary downwards the regional news quota to 5 hours 20 minutes per week, backdated to 1 January 2007. The new arrangement reflects the way Ofcom’s Market Intelligence Database accepts minutes and seconds data and is not intended to change the actual volume of regional news required on screen.

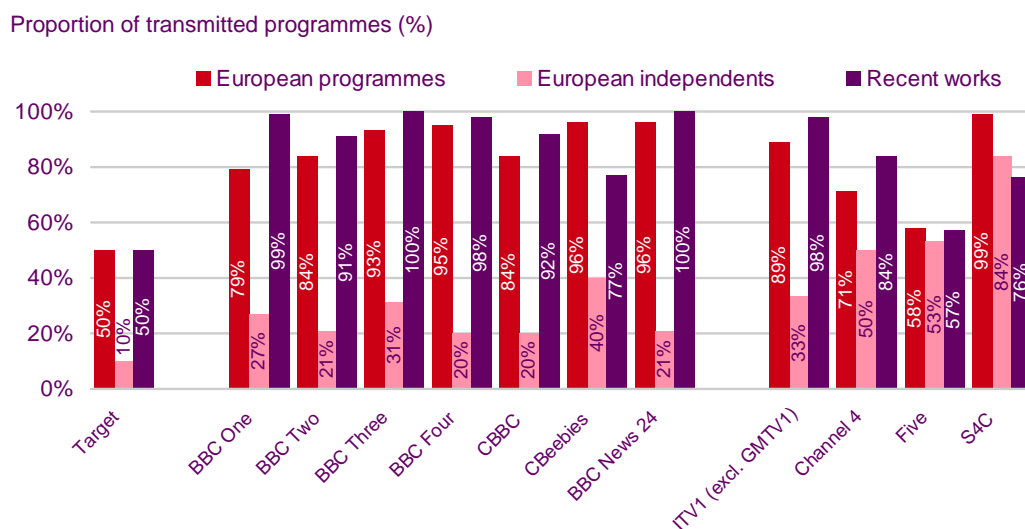
¹⁹ p15 ‘S4C: an Independent Review’, Roger Laughton, DCMS, July 2004.



2.26 European Programming: The Television Without Frontiers Directive (TVWF) applies to all broadcasters licensed within Europe and specifies three output quotas:

- Where practicable, at least 50% of programmes shown must be of European origin
- At least 10% must be independent European programmes
- At least 50% of the independent European programmes must be recent (made within the last five years).

All the PSB channels exceeded these quotas in 2006.



Ofcom Reviews of Public Service Broadcasting

2.27 Section 264 of the Communications Act requires Ofcom to review, every five years, the extent to which the public service broadcasters have fulfilled the purposes of PSB in the United Kingdom with a view to maintaining and strengthening the quality of PSB provision in the UK. Ofcom conducted its first review in three phases during 2004/5 and the third phase was published on 8 February 2005, followed by a final statement on programming for the nations and regions, published in June 2005.

2.28 Ofcom's first PSB Review concluded that there was continued demand for PSB but that the existing model of ensuring it is provided by commercially funded channels would not survive the transition to a wholly multi-channel world unchanged. It stated that, as the value of analogue broadcasting licences declines, so the regulator's capacity to require commercial public service broadcasters to deliver certain types or quantities of programmes diminishes. In Phase 3 of the Review²⁰ Ofcom reiterated the view that regional news was the most important element of regional provision, for audiences in the Nations as well as in the English regions. It also concluded that competition in the provision of PSB programming was important to maintain high quality and that an isolated BBC, as the sole or substantially main PSB provider would not ultimately serve the interests of viewers.

2.29 However, with respect to non-news regional programming, Ofcom concluded that the needs of the devolved Nations of the UK are distinct from those of the English regions, for three reasons:

- the need for broadcasting in the UK to reflect the reality of devolved social, cultural and political institutions;
- the closer relationship, in general, between TV regions and real cultural identities in the Nations than in the English regions; and
- the findings of Ofcom audience research on this issue, which were mixed, but which on balance suggested that viewers in the devolved Nations showed greater interest in dedicated provision for their Nation than viewers in England showed for their respective regions.

2.30 The Review concluded that there was a continued requirement for programming that reflects the distinct identities, cultures, histories and interests of Scotland, Wales and Northern Ireland. It was noted that this requirement was not likely to be met by UK-wide programming alone, nor by reducing minimum requirements on ITV1 in the Nations in line with our decisions for the English regions. It therefore proposed to set a minimum requirement of four hours per week of non-news regional programmes to be broadcast by the Channel 3 licensees in each of the three devolved Nations, as opposed to 1.5 hours per week by the English licensees.

2.31 However, the Review noted that increasing the differential between the amount of regional non-news programming shown in England and the amount of National programming shown in Scotland, Wales and Northern Ireland would impose significant additional costs and scheduling challenges on national licensees. Ofcom therefore proposed that these costs could be taken into account in a forthcoming review of financial terms for the relevant Channel 3 licensees, (which was held during 2005/6).

2.32 Ofcom also proposed to review the Networking Arrangements on ITV1 to exempt the nation licensees from paying for network programmes that they do not show ('no play no pay') in order to meet their regional quotas, and to require the ITV1 Network Centre to take into account the higher level of regional opt-out in the devolved Nations when devising its network schedule.

²⁰ *Competition for Quality*, Ofcom, February 2005

2.33 However, ameliorating the costs of regional obligations through reduced licence fees and revisions to the Networking Arrangements was not seen as a permanent solution. It was recognised that with the approach of digital switchover, the surplus value of the Channel 3 broadcasters' analogue licences (after taking PSB obligations into account) would diminish. Eventually the surplus value would reach zero, at which point it would be impossible to sustain the same level of PSB through further reductions in licence fees. And the 'no play, no pay' condition in the Networking Arrangements would not be sufficient in itself to offset the higher costs of regional programmes.

2.34 Ofcom therefore proposed a further reduction in the minimum requirement for regional non-news in the Nations, from four hours per week to three hours, when the first UK region achieves digital switchover.

2.35 To create more scheduling flexibility, Ofcom also allowed ITV Wales to show current affairs for Wales, in peak time, in place of some network current affairs programming (specifically *Tonight with Trevor McDonald*), provided that those network current affairs programmes were shown elsewhere in the schedule. Significantly during 2007, ITV Wales screened *Wales This Week* for most of the year at 8pm on Monday nights, displacing *Tonight with Trevor McDonald* to a late evening slot (except on two occasions when the McDonald programme was screened at 8pm as it covered issues that were relevant to viewers in Wales). This arrangement proved to be a great success, with *Wales This Week* equalling or mostly exceeding the ITV network average rating for the 8pm Monday night slot.

2.36 Subsequently, Ofcom confirmed its intention, in November 2007, (as first set out in the June 2005 of the statement on the nations and regions), to reduce the minimum quota for ITV non-news programmes for Scotland, Wales and Northern Ireland from 4 hours to 3 hours on average per week, from 1 January 2009. The aim of this reduction is to aid the overall sustainability of the ITV services in the nations, which in the run up to digital switch over, (which is due to start in 2009 in Wales), will come under increasing financial pressures. In addition, the peak time quota will be raised to one hour and the origination quota raised to 99% at that time. Future issues in relation to ITV non-news programmes in the nations will be considered as part of Ofcom's second PSB Review.

2.37 Since the first PSB Review concluded in early 2005, the media landscape has evolved rapidly:

- Viewer adoption of digital technology has grown significantly. Eight in ten of UK homes now have multi-channel television – a 17% increase in the last two years.
- Multi-channel television means smaller audiences for all. The combined share of the five terrestrial public service channels (BBC1, BBC 2, ITV1, Channel 4 and Five) fell 10% between 2001 and 2005 and shrunk a further 3.6% in 2006 alone.
- In children's programmes, the trend is even more stark: the public service broadcasters' share for 4-15 year olds has fallen from 64.5% in 2002 to 45.8% in 2006. Meanwhile, 16-24 year olds watch less terrestrial television

than ever before (down from 74.3% of their viewing in 2001 to 55% in 2006). They are increasingly turning to other platforms such as the internet.

- There has been a corresponding fall in television advertising expenditure as advertisers look elsewhere to make an impact with their target consumers. The commercial analogue channels have seen net advertising revenue fall from £2,559 million in 2002 to £2,427 million in 2006.

2.38 Ofcom announced in May 2007 that it would be bringing forward its second PSB Review based on this and other evidence including Ofcom's Financial Review of Channel 4, which highlighted the considerable uncertainties for that channel and indeed for commercial public service broadcasters more generally. This could limit their ability to meet PSB goals over the next few years. Any significant change to the structure or financing of commercial PSB is likely to require new legislation. The UK Government has already announced its wish to bring its own planned review of PSB funding forward, informed by the analysis and conclusions of Ofcom's statutory review.

2.39 Ofcom conducted other work in the run up to the second review during 2007 including a study on the future of news, with a report published in July 2007, and a report, published in October, on children's television. The policy proposals arising from these individual work streams will be considered in the context of a wider strategy for public service broadcasting as a whole within the second PSB Review.

Programme Output

BBC Wales

2.40 The British Broadcasting Corporation (better known as the BBC), was established by Royal Charter in 1927, with a mandate to inform, educate and entertain its audience. The BBC Welsh Region was given its own separate frequency for television broadcasting in 1964 and was renamed as BBC Wales. Welsh language programmes were first broadcast on television in 1953, and there has been daily provision of television programmes in Welsh from 1957 until November 1982 when the BBC's Welsh language output transferred to S4C.

2.41 BBC Wales provides television programming for viewers in Wales in English on BBC 1 Wales, BBC 2 Wales and BBC 2W (which broadcasts programmes in place of the UK BBC 2 schedule on digital platforms in Wales between around 8pm and 10pm on weekdays). Many of BBC 2W's programmes are also broadcast at different times on BBC 1 Wales and BBC 2 Wales. However, the BBC recently announced that, in line with a programme of costs savings across the corporation, that the BBC 2W service will come to an end in the run up to digital switch over in Wales, which is due to start in the third quarter of 2009²¹.

²¹ BBC Press Release, 18 October 2007.

BBC Wales Expenditure Allocation and Output²²

BBC Wales	2006/7
Hours	
Originations	814
Repeats	291
Total	1105
Total Spend £M	24.6
Cost per Hour £K*	30

*Excludes Repeats, Source: BBC Wales Annual Review 2006/7

2.42 Audience share: In 2006, BBC Wales' all viewer all hours share was 23% (which was the same as the UK average). BBC Wales share in peak was higher at 26%, compared with a UK average share for BBC 1 in peak of 25%²³.

2.43 Network Supply: BBC Wales also supplies network programming for BBC 1, 2, 3 and 4. 154 hours were provided in 2006/7 at a cost of £49 million and a cost per hour of £318 K (excluding repeats). BBC Wales' network output in 2006/7 included second series commissions for Dr Who and Kew Gardens, A New Year at Kew. The first series of Torchwood (set in Cardiff) was screened on BBC 3 and BBC 2 in October 2006. The series is scheduled to return to BBC 2 in 2008.

2.44 Supply to S4C: BBC Wales supplies a minimum of 10 hours/week of Welsh language programmes to S4C free of charge (paid for through the licence fee) which in 2006/7 totalled 524 hours at a cost of £20.6 million and a cost per hour of £41K. The programmes supplied include the channel's news service, including the weekday news programme Newyddion, screened at 7.30pm and the channel's main daily soap, Pobol y Cwm, broadcast at 8pm on weekdays. In addition to the statutory supply S4C also commissions programming from the BBC on commercial terms. In 2006, the BBC supplied 102 additional hours at a cost per hour of £34.2K.

ITV Wales

2.45 Following the introduction of commercial television into Wales in the late 50s, a dual Channel 3 licence area covering Wales and the West of England was eventually created, held initially by TWW and from 1967 by HTV. During the 70s, HTV established two services, HTV Wales and HTV West and after numerous changes of ownership this licence is now owned by ITV Plc. (HTV is a wholly owned subsidiary of ITV Plc.) The service for Wales is now branded as ITV Wales and treated entirely separately to the West of England by ITV Plc, with its own Managing Director and Controller of Programmes.

²² BBC Wales Annual Review 2006/7

²³ p112 Ofcom Communications Market Report, Wales 2007, based on 2006 BARB data

2.46 ITV Wales' main office and station is situated at Culverhouse Cross in Cardiff. The broadcaster also has outlying offices in Colwyn Bay, Newtown, Carmarthen and at the National Assembly in Cardiff Bay.

ITV Wales Expenditure Allocation and Output²⁴

ITV Wales	2006
Hours	
News	277.29
Current Affairs	36.29
Other Programmes	154.52
Total Hours	468.5
Total spend £M	Not publicly available
Cost Per Hour £K	Not publicly available

2.47 In 2006, ITV Plc announced a 2.6 million investment in ITV Wales, with the provision of new technology, additional satellite facilities, staff training and refurbishment of its main site at Culverhouse Cross (on the outskirts of Cardiff). ITV Plc also purchased the site from United News and Media along with the surrounding land, some 50 acres in total. ITV Wales are currently applying for planning permission with the Vale of Glamorgan council to re-develop the site. If successful, ITV Wales may re-locate to a new site nearby.

2.48 Audience Share: In 2006, ITV 1 Wales' all viewer all hours share was 20% (which was the same as the UK average). ITV 1 Wales share in peak was higher at 27%, compared with a UK average share for ITV 1 in peak of 26%

2.49 Network Supply: ITV Wales has had limited success in supplying programmes to the ITV network in recent years. In practice the ITV Network has been able to meet the 'out of London' production quota by sourcing programmes primarily from production centres in the north of England, (although SMG in Scotland has had successes with the drama series *Rebus* and *Taggart*). The Network commissioned a Yorkshire based independent company to produce a documentary on the 40th anniversary of the Aberfan disaster, rather than ITV Wales²⁵. However, in 2007 a feature film, *The History of Mr Polly*, co-produced between ITV Productions, ITV

²⁴ Data supplied to Ofcom by ITV Plc.

²⁵ ITV Wales' own documentary, (screened in Wales only), to coincide with the 40th anniversary of the disaster received the Gwyn Alf Williams Bafta Cymru award in 2007, given for a programme or series which has contributed most to the understanding and appreciation of the history of Wales.

Wales and the Welsh Assembly Government's Creative IP Fund was screened on the ITV 1 network.

- 2.50 Supply to S4C: ITV Wales supplies around an hour a week of Welsh language programming to S4C on commercial terms including the long-running current affairs programme, **Y Byd ar Bedwar**, the youth orientated current affairs series, **Hacio** and the series focussing on rural life in Wales, **Cefn Gwlad**.

S4C

- 2.51 S4C was established under the 1980 Broadcasting Act along with its regulator, the Welsh Fourth Channel Authority and the S4C analogue service first went on air in November 1982. Previously, Welsh language television programmes had often been screened in peak on BBC 1 Wales and HTV Wales and the creation of S4C therefore solved two problems; it fulfilled demands from Welsh speakers for a better television service and it reduced the irritation felt by non-Welsh speakers by removing Welsh language television programmes from peak slots on BBC Wales and HTV Wales. Several parliamentary committee reports published during the 70s, had recommended the creation of a Welsh language fourth television channel which was eventually secured after over a decade of political campaigning.

- 2.52 Financial Settlement: The DCMS grant received by the Authority in 2006 was £90.857 million and in addition it received around 10 hours per week of programmes free of charge from the BBC (valued in 2006 at £21 million)²⁶. S4C also generated £5.353 million of commercial income during 2006 and in total therefore, the Authority received the equivalent funding of £115 million in 2006.

- 2.53 Programme Output: The S4C analogue service broadcasts around 6 hours per day of Welsh language programmes, mainly in peak time (defined in the 1980 Broadcasting Act as 6.30pm to 10.00pm). In addition, the bulk of Channel 4's programmes are re-scheduled and screened at other times on S4C analogue. The digital only channel S4C Digidol, launched in November 1998, broadcasts around 12 hours a day of Welsh language programmes²⁷. The S4C programme budget was £68.88 million in 2006.

²⁶ S4C Annual Report 2006. The BBC is required under the 1980 Broadcasting Act to provide Welsh language programmes, free of charge, to meet 'the reasonable requirements' of the Welsh Authority. (Modified in 1990 Broadcasting Act to not less than ten hours of programmes per week).

²⁷ All Welsh language output shown on the analogue service is also shown simultaneously on S4C Digidol. The additional programming on the digital channel primarily comprises extended coverage of certain cultural and sporting events, alternative viewing opportunities and archive material.

S4C Programme Expenditure Allocation and Output (Excluding BBC Statutory Supply)

S4C	2006
Originations (hours)	1,291
Repeats (hours)	2,242
Total (hours)	3,925
Total Spend £M	68.88
Cost per Hour £K	17.55

Source: S4C Annual Report and Accounts 2006

2.54 The 1980 Broadcasting Act required the BBC to provide Welsh language programmes, free of charge, to meet 'the reasonable requirements' of the Welsh Authority. This was modified in the 1990 Broadcasting Act to not less than ten hours of programmes per week²⁸. This provision has always been the subject of intrinsic tensions. S4C argued that the real value of the BBC's statutory 10 hour/week programme contribution had fallen over recent years and that it was hampered by the lack of strategic or editorial control over the programmes provided by BBC Wales. During 2004/5, Ofcom in PSB Phase 3 (February 2005) and Phase 3a (June 2005) set out the view that the BBC and S4C should develop a new relationship driven by 3 core principles of transparency, financial commitment and editorial control. A DCMS review of S4C had also previously recommended that the arrangements between the two broadcasters should be revised.

2.55 Subsequently, during autumn 2006, S4C and the BBC reached an agreement, described as a 'Strategic Partnership', which addressed these issues. The new agreement includes a funding commitment from the BBC for its statutory supply to S4C: 2007: £22.9 million, 2008: £24 million and 2009: £25.1 million. The partnership also includes provision for the BBC Trust and the S4C Authority to agree programme commitments and core obligations in line with the BBC's public purposes and Charter obligations. At the outset of the annual planning cycle the BBC will consult S4C management about S4C's likely requirements in relation to S4C's published Programme Strategy.

2.56 The 1980 Broadcasting Act also gave S4C the right to access to Channel 4's programmes, free of charge²⁹, which can be re-scheduled around peak time Welsh language output. S4C therefore also currently serves English language viewing audiences, but until the development of digital television in the mid 90s many non-Welsh speaking viewers resented the fact that the full Channel 4 service was not available in Wales³⁰.

²⁸ Section 58 (1) 1990 Broadcasting Act (as amended by Section 28 of the 1996 Broadcasting Act)

²⁹ As amended by Section 58 (2) 1990 Broadcasting Act

³⁰ Viewers living in areas close to the English border in south east and north east Wales could in many cases receive Channel 4 from transmitters based in England.

2.57 S4C is a publisher broadcaster and the majority of its programmes are sourced from a range of independent producers based primarily in Wales. Following the changes introduced in the 2003 Communications Act, S4C, along with the other broadcasters, S4C operates a Code of Practice, approved by Ofcom, in relation to programme commissioning and Terms of Trade which have been agreed with TAC (Teledwyr Annibynnol Cymru) the trade association representing the majority of the Welsh language Independent Producers. S4C has also published a tender inviting production companies to request a re-assignment of the rights in programmes commissioned by S4C from 1982 to 2003.

2.58 In 2004, S4C agreed with the Authority the terms for a new Programme Strategy, which focuses on creative excellence, with a particular focus on landmark and events programming, for example through the coverage of the summer events in Wales such as the Royal Welsh Show, the National Eisteddfod, Llangollen International Eisteddfod and the Faenol Festival. The strategy included a rejuvenated children's service. During 2005/6, increased prominence was given to extended children's programme provision during school holidays, which for the first time, included additional children's programming over the Christmas period. Investment in pre-school programming was doubled to £2 million and provision for younger people was also increased. These developments were complemented by extensive marketing, including summer road show tours across Wales and collaboration with BBC Radio Cymru. Total spend on the services for children (including the cost of programmes and other related costs such as marketing activities, repeats, web services) is estimated to increase from £10.5 million in 2006 to £11.8 million in 2007.

2.59 Audience Share: Digital penetration is very high in Wales (at 86%) and S4C has, in recent years seen a significant loss in all viewers/all hours share, down from 9.3% in 1995 to 3.6% in 2006. The migration on non-Welsh speaking viewers to the full Channel 4 service on digital platforms from S4C probably accounts for a significant proportion of this fall in share. Following DSO in Wales, due in 2009-2010, S4C Digidol will become the main S4C service and the current peak time share of the analogue service, going forward until DSO, is therefore a more relevant performance indicator than all viewers/all hours share. The broadcaster's Programme Strategy (Creative Excellence) published in 2004, which aims to increase the channel's appeal, is gradually bearing fruit, through improved core viewing figures during 2006/7. Share in peak has increased from 3.1% in 2005 to 3.4% in 2006, an 11% increase, and it was up a further 3% in first half of 2007. These figures are comparable with Five's all viewer/all hours average share in Wales of 3.5% during 2007.

2.60 Audience Impact: In order to provide relevant information about audience views relating to S4C's programming in Welsh, Ofcom's PSB Tracker was boosted in Wales from January 2006. The Tracker Survey revealed that regular viewers of S4C's Welsh language programming identify the channel most strongly with PSB Purpose 1 relating to news provision and to Purpose 3 relating to reflecting cultural identity within Wales (and the UK). The service was also regarded by 61% of viewers as portraying Wales well to the rest of the UK. 59% of viewers believed that S4C's news programmes are trustworthy; 58% claimed that the channels' news and factual programmes explain the issues clearly and 55% of

viewers claimed S4C's programmes helped them understand what is going on in the world. 55% of viewers also regarded S4C as providing high quality programmes but the service was less likely than the other PSB channel, taken together, as providing many of the elements of PSB³¹.

Television Service Availability and Take-up

2.61 Historically, the hills and valleys of Wales presented significant engineering challenges to the goal of securing ubiquitous television reception within the country. This is illustrated by the fact that although Wales has around 5% of the UK's population it has about 20% of the UK's transmitters³².

2.62 Analogue Television Coverage

- Viewers in Wales are served from six main transmitter sites: (Wenvoe, Carmel, Preseli, Blaenplwyf, Moel-y-Parc and Llanddona.)
- Wales also has 208 relay transmitters and the total analogue coverage, provided by transmitters based in Wales is 96.7%. This figure rises to 97.4% if reception from neighbouring transmitters in England is also taken into account³³.
- Total analogue coverage in Wales is therefore slightly below the UK core coverage of around 98.5%.
- There are also 25 registered licensed Self-Help-Schemes operating in Wales, which provide fill-in coverage to an estimated 1032 homes³⁴.
- In 1982, the fourth analogue channel in Wales was allocated to the S4C service which carries Welsh language programmes at peak times along with re-scheduled Channel 4 programmes at other times. Channel 4 is therefore not broadcast as a separate analogue service in Wales, but it is available on all the digital platforms in Wales.
- Five's analogue coverage is relatively low, reaching around 20 per cent of the population from three sites (Blaenplwyf, Carmel and Kilvey Hill). Five is also available on digital television in Wales.

2.63 Digital Television Coverage

- Digital Terrestrial Television (DTT) services in Wales are currently broadcast from just 10 sites and core coverage (where all 6 multiplexes can be received) is currently around 57% of households (compared to the UK average of 73%). However, it is anticipated that core coverage for the three public service DTT multiplexes will reach 97.8% after the digital switchover process is completed in Wales during 2009-2010.
- Digital satellite services are available to around 98% of households across the UK. This figure is likely to be comparable for Wales although no data exists specifically regarding satellite coverage for Wales.

³¹ Section 9, Ofcom Public Service Broadcasting Annual Report, 2007

³² These relays will be converted to carry digital terrestrial television through the digital switchover process which is due to start in Wales in Q3 2009 and should be completed by Q1 2010.

³³ In some areas of the mid Wales borders, it is only technically possible to provide television signals from the Ridge Hill transmitter, based in England.

³⁴ Ofcom consultation document, *Self Help Television Relays and Digital Switchover*, 7 December 2006.

- The Virgin Media cable television network (formerly NTL) is only available in the urban areas of south east Wales mainly in Cardiff, Newport, Swansea and parts of the Vale of Glamorgan (corresponding to the areas where cable broadband services are available) serving 23% of the population (UK average 45%).

2.64 Digital Television Take-up

- In Wales pay and free to view satellite combined account for around 50% of the total digital television platform take-up. Given the limited availability of DTT and cable, the satellite platform is currently the only option for most viewers in Wales who switch to digital television.
- Despite the lower than average DTT core coverage in Wales, take-up of digital television services as a whole (taking in DTT, Satellite and cable) continues to be higher than the UK average in Wales at 86% (UK average 80%)³⁵.

2.65 Digital Switchover: Digital switch over involves converting the 204 relays in Wales which currently only broadcast the analogue terrestrial television channels to transmit digital terrestrial television³⁶. Television relays work by receiving signals from a main transmitter and then amplifying and re-transmitting them on different frequencies to provide services to local viewers who, due to local topography, may not be able to receive a satisfactory service from the main transmitter. The same principle will apply post switchover, where the relays will have to re-transmit the digital multiplex signals received from the main transmitters.

2.66 Currently the six main transmitters and four relays³⁷ in Wales broadcast three public service multiplexes and three commercial multiplexes (which together make up the full 'freeview' service). Under current plans, published by Ofcom in October 2007, the remaining 204 relays in Wales will be converted to broadcast the three public service multiplexes in place of the current analogue services, ensuring near universal access for viewers in Wales to the full range of public service television (and radio) channels. An increase from 4 services currently broadcast in analogue to around 20 services. The commercial multiplex operators have no plans to extend their networks beyond the existing 10 sites in Wales from where they are currently broadcast but the coverage of these multiplexes will also increase at switchover because they will be able to transmit at higher powers than at present.

2.67 The current DSO schedule for Wales is as follows:

- Preseli, Carmel, Kilvey Hill, and their dependent relays:
Third quarter 2009
- Llandonna, Moel-y-Parc, and their dependent relays:
Fourth quarter 2009.

³⁵ Digital UK/Ofcom switchover tracker survey Q3 2007. Figure applies to main set in household. Wales also leads on full household DTV conversions - 56% compared with UK average of 47%

³⁶ Digital television is also already available via digital satellite (SKY) and digital cable (Virgin Media).

³⁷ The Ferryside relay carries the 3 PSB multiplexes and one commercial multiplex.

- Blaenplwyf, Long Mountain, Wenvoe, and their dependent relays:
First quarter 2010

Following digital switch over 97.8% of viewers in Wales will be able to view the full range of PSB television channels via digital terrestrial television (taking account of reception also available from neighbouring transmitters in England).

High Definition Television (HDTV)

2.68 In November 2007, Ofcom published a consultation on proposals to re-configure the DTT capacity on the public service multiplexes to enable high definition television services to be carried within existing capacity. The consultation closes on 30 January 2008. The opportunity exists to upgrade the DTT platform over the next few years by introducing new technologies that will greatly increase the capacity available. This upgrade will in turn enable the platform to offer a wider, richer and more varied set of services - including the potential for services in High Definition (HD).

2.69 This opportunity can be realised without requiring additional spectrum, while protecting viewers with existing equipment. For viewers, the effect of these proposals should be to increase significantly the choice that is available to them without requiring a reduction in the number of services that can be received through existing DTT receivers (i.e. set-top boxes (STBs) and integrated digital televisions (IDTVs)).

2.70 However, the composition of the platform will continue to change between now and DSO and beyond – and some services may as a result of these proposals need to move between the PSB and commercial multiplexes. One consequence in Wales, is that if the proposed S4C Children’s Channel is launched it will have to be carried on a commercial DTT multiplex which will have significantly less coverage compared to the public service multiplexes.

2.71 Realising this opportunity is technically complex. But in brief, it exists for two key reasons:

- the emergence of new technical standards that are more efficient than those presently used on DTT;
- the extra capacity that will be created on DTT at DSO, and the scope for more effective use of existing capacity.

2.72 Ofcom will need to consider the process for allocating the upgraded capacity on Multiplex B (the PSB multiplex that will potentially carry high definition services) so that it provides the maximum benefit for citizens and consumers.

2.73 A range of options for this process are being considered, consistent with the powers available to Ofcom and Government. Three key objectives, have been identified consistent with the statutory regime and the status of Multiplex B as a PSB multiplex. These are:

- promoting efficient use of the spectrum, particularly through the adoption of new technologies;
- promoting the purposes and characteristics of PSB; and

- promoting the range and variety of high quality television services across the UK.

2.74 Ofcom will invite the organisations with PSB status (principally the BBC, the Channel 3, 4 and 5 licensees, and S4C):

- to put forward proposals for the use of this capacity;
- to hold a comparative selection process that provides a fair, transparent and objective means of deciding between these proposals, using criteria that reflect the three key objectives above;
- to award capacity in blocks that are large enough to offer a high definition (HD) service, but to give PSBs the flexibility to propose different options for the balance between HD and standard definition (SD) services (for example, in different parts of the day);
- to award three such blocks next year, for services to begin in late 2009/early 2010; to award a fourth block in 2010, for services to begin in 2012.

2.75 These proposals will create the opportunity for PSB broadcasters to offer three HD services on the DTT platform from 2009 or 2010, and four from 2012 – or to offer a mix of new HD and SD services.

Digital Dividend Review

2.76 Following an extensive consultation during 2007 Ofcom announced in December 2007 that the radio spectrum that will be freed-up through digital switchover (112 Mhz) will be awarded for new uses for the benefit of citizens and consumers in the UK.

2.77 Spectrum is a finite resource that is the essential ingredient for all wireless communications. Demand for spectrum is growing continually with changes in technology and consumer trends. Spectrum is used throughout the economy and society, from the emergency services and defence, to radio and television broadcasting, and mobile phones and wireless internet, and underpins 3 per cent of the UK's GDP.

2.78 The digital dividend spectrum is in the sought-after UHF band currently used by the terrestrial television broadcasters. Transmissions in this band cover large geographical areas with relatively few transmitters, and penetrate buildings well. This makes the digital dividend the highest quality spectrum likely to be released in the UK in the next 10 or 20 years. The spectrum released through the digital dividend is suitable for a wide range of uses including:

- ultra-fast wireless broadband services;
- mobile television;
- more digital terrestrial television channels in either standard or high-definition;
- local television;
- wireless microphones; and
- low-power applications developed from wi-fi.

Maximising the benefits for citizens and consumers

2.79 Ofcom's objective is to ensure that the digital dividend is used to deliver the maximum benefit for citizens and consumers in the UK. Following consultation and an extensive programme of research, Ofcom has concluded that the most effective way to maximise the value to society is to take a market-led approach, giving users the freedom to decide how spectrum is used and clear incentives to use it efficiently. This approach will create the maximum flexibility for different services. It will also allow the use of the spectrum to change over time, as demand develops, technology evolves and new services become available. This approach of awarding spectrum to those who will make the most of it and value it most will deliver significant benefits to society, including:

- innovative technologies and services that will be launched using the digital dividend;
- more competition in wireless services which could lead to greater choice and lower prices; and
- a significant contribution to the UK, as the overall benefit from the use of the digital dividend is estimated to be £5bn to £10bn of added benefit to the economy over 20 years.

2.80 To maximise these benefits, Ofcom plans to auction most of the digital dividend in 2009, offering licences that allow users to decide the technology and service, and that can be traded after award.

Specific spectrum uses

2.81 Ofcom has considered whether a market-led approach could prevent important spectrum users from getting access to this spectrum. One compelling case has been identified where spectrum should be reserved for a particular use, to avoid the risk of market failure in an auction. Spectrum will therefore be awarded by 'beauty contest' for the programme-making and special events sector (usually referred to as PMSE), who principally use the spectrum for wireless microphones.

2.82 The consultation also identified a number of potential uses of the digital dividend in which citizens, consumers and industry expressed a keen interest. Ofcom will therefore package the spectrum to make it suitable for these uses. This relates to the cleared spectrum (the frequencies that will be cleared of broadcasting as a result of digital switchover) and the interleaved spectrum (the 'white spaces' that exist geographically between television transmitters to prevent interference between them). These decisions create new opportunities for a wide range of uses:

- **UK-wide digital terrestrial television services (in standard or high definition):** Ofcom has already demonstrated that new High Definition and Standard Definition channels can be delivered on Freeview without the need for any digital dividend spectrum. This was the subject of proposals published by Ofcom on 21 November 2007. In addition, Ofcom will package the cleared spectrum in a way that makes it suitable for more digital terrestrial television, but it will not be reserved for this use.
- **Cognitive radio:** This is a new wireless technology that shares spectrum use with other services by detecting when frequencies are not being used.

It is hoped that cognitive radio devices will be able to work together to create so-called 'mesh networks' that can support a range of wireless applications such as high-speed broadband access across urban and rural locations. Ofcom is proposing to allow cognitive radio to use the interleaved spectrum provided it can be shown this does not cause interference to other spectrum users.

- **High speed mobile broadband and mobile television:** Ofcom's market research has found keen interest in high speed mobile broadband. Cleared spectrum will be packaged in a way that makes it suitable but not reserved for these uses.
- **Local television:** Ofcom will auction packages of interleaved spectrum suitable but not reserved for local television in some 25 locations across the UK where there is evidence of demand to provide this type of service.
- **PMSE spectrum users (see 2.81):** Ofcom will award most of the available interleaved spectrum by 'beauty contest' to a band manager who will be required to manage spectrum for PMSE users. This process will be designed to ensure that the licensee's interests are aligned with those of PMSE users. The licensee will earn revenue by charging for access to the spectrum but will be required to meet reasonable demand from PMSE users on fair, reasonable and non-discriminatory terms. These measures will ensure that PMSE users can continue to access spectrum while moving towards a more market-based approach over time.

Further consultations

- 2.83 Ofcom will publish further consultations in spring 2008 on the detailed design of the digital dividend awards. These consultation documents will include detailed proposals to ensure that the awards encourage competition in downstream markets and guard against any anti-competitive activity such as hoarding.

Out of Area or 'Overlap' Viewing

- 2.84 Around 40% of the Welsh population live in 'overlap areas' where it is possible to receive television services from England. Over the years, due to a number of historic and technical factors, a significant proportion of these viewers did not watch services from Wales and as a consequence, they may not have been able to receive news and other programmes that reflected the civic and cultural life of the nation where they lived.

- 2.85 Following devolution, this issue increased in its significance. Many key areas of the Welsh Assembly Government's responsibilities, including health, education, the economy and transport are not generally reported on UK network news programmes and this factor, along with the lack of a significant indigenous press in Wales, led to concerns expressed by a number of stakeholders, about citizenship and democratic inclusion within Wales.

- 2.86 Four powerful transmitters in England are situated near the border areas of Wales. Winter Hill provides television services for the north west of England, but its signals also reach the coastal areas of north east Wales, parts of the eastern side of Anglesey, the Deeside area and towns such as Mold and Wrexham in north east Wales.

2.87 The Wrekin transmitter serves the west midlands and services from this site can also be received in Wrexham and the north east Wales borders. Further south, services from the Ridge Hill transmitter can be received in Newtown and some border towns in Monmouthshire including Abergavenny. In addition, a group of relay transmitters serving the border communities of Presteigne, Knighton, Knucklas and Garth Hill receive their signals from Ridge Hill because, due to local terrain, it is not possible to receive an off-air feed from a transmitter based in Wales.

2.88 Viewers on the south east Wales coastal strip and in parts of the south east Wales valleys can receive services from the Mendip transmitter in the west of England.

2.89 It seems likely that a number of 'deprivation factors' probably encouraged viewers in Wales' border areas to tune to services from England, where possible:

- **Significant growth of Welsh language programming in the 70s.** Welsh language programmes were screened on both BBC and ITV in Wales at peak times and many non Welsh speaking viewers opted to receive services from England where possible.
- **The creation of S4C in 1982** provided a significantly improved and more coherent service for Welsh speakers on one channel and removed Welsh language programmes from BBC Wales and ITV Wales. But as the fourth channel in Wales had been allocated to S4C, some viewers wanted to receive the full Channel 4 service.
- **Five** When this service started in late 90s it was not possible, due to a shortage of frequencies for it to be received in many parts of the UK, including most areas of Wales. Five, in analogue form, is only broadcast from three sites in Wales, and the main transmitters serving the north east and south east of Wales, Wenvoe and Moel-y-Parc, do not carry the service. However, viewers in these border areas were able to receive the service from transmitters in England.

2.90 The 2006 Ofcom Communications Market Report for Wales, published in April, which referred to television overlap viewing, noted that no research had been carried out in relation to this issue since 1998, when digital television was just starting to roll-out in Wales.

2.91 Following publication of a policy statement in October 2006, which looked at the implications arising from the April report, Ofcom commissioned a research project in February/March 2007 which aimed to evaluate the current extent of overlap viewing in Wales and to assess the media literacy and technology implications posed by it.

2.92 Overlap viewing is potentially both an engineering and media literacy issue that relates specifically to Wales. Viewer awareness in overlap areas of the television services from Wales available to them (in addition to those from England) in part relates to their level of media literacy and their technical knowledge. The aim of the Ofcom research was to increase understanding in this area, in the run up to digital switch over, allowing viewers living in Wales' overlap areas, as both consumers and citizens, to make informed choices about the television services they wish to receive.

Overlap viewing - Background

- 2.93 Research published in Ofcom's Phase 2 PSB Report suggested that viewers in Wales (and Northern Ireland) attached greater personal and social importance to television news about their nations compared to the importance attached by viewers in many of the English regions towards their regional news programmes.

"In the nations, a host of specific issues contribute to the importance of regional TV news. Network news has been somewhat slow to respond to the challenge of reporting devolved politics in a UK-wide bulletin, frequently failing to explain how issues have different connotations in the different nations and often covering stories that apply to England as if they apply more widely. Wales lacks strong indigenous press coverage, with London newspapers accounting for 85 per cent of daily newspaper sales and only eight per cent of Welsh households seeing one of the two main regional titles (both of which are owned by Trinity Mirror)"³⁸.

(Interestingly, television news about Scotland was seen as less important, possibly reflecting the fact that it has the strongest and most competitive local newspaper market outside London.)

- 2.94 In practice, since the development of digital television, this phenomenon of 'overlap viewing' is now only relevant to analogue and digital terrestrial television viewers in Wales. Cable and satellite television services in Wales already give due prominence to the public service broadcast channels transmitted in Wales, BBC 1 Wales, BBC 2 Wales/BBC 2W, ITV 1 Wales and S4C. For example, digital satellite homes that subscribe to Sky Digital in Wales automatically receive BBC 1 Wales as the main default BBC 1 service (on channel 101). In evidence presented to the National Assembly³⁹, BBC Wales claimed that as a consequence of the take-up of Sky Digital in Wales, share for BBC 1 Wales increased from 75% in 1998 to 80% in 2000.

- 2.95 The broadcasters' most recent research programme was conducted in 1998. In addition, in 1999, The House of Commons Welsh Affairs Select Committee gathered evidence and published two reports on broadcasting in Wales which looked at a range of issues including overlap viewing.

"A key area of our inquiry has been the continuing problem of television reception in many parts of Wales — the fact that many Welsh people do not have access to Welsh television. The importance of this long-standing problem has been heightened by devolution. Those who do not watch Welsh television miss out on the primary source of information on Welsh affairs and politics. It is notable that nearly 87% of Welsh people buy daily morning newspapers not produced in Wales. Those without access to Welsh television are deprived of the information on which to make their political choices: they have been called "disenfranchised viewers". It is not surprising that regular viewers of BBC Wales and HTV Wales were more likely to vote in the 1997

³⁸ Phase 2 - Meeting the Digital Challenge, Reshaping television for the UK's Nations, Regions and Localities, 4.11 - 4.12, p 35, quoting ABC circulation figures.

³⁹ Paper for Assembly Culture Committee meeting, BBC Wales, 13 December 2000

Referendum than those who did not watch Welsh television. We have tried to find out who does not have access to Welsh television and why.⁴⁰

2.96 Welsh Assembly Government ministers have written to Ofcom in the past about this issue and it has also been discussed extensively in National Assembly committees,

"We believe that it is crucially important that the regional or national variations of the UK services, such as BBC 1 Wales or ITV Wales, are regarded as the primary default services for that region or nation post digital switchover. At present a significant portion of analogue television coverage is from transmitters outside Wales that do not carry PSB programming that reflects Welsh Life and governance. This is a significant obstacle to an informed democracy, and one that disproportionately affects the National Assembly."⁴¹

2.97 In its report on the 2003 National Assembly Elections the Electoral Commission noted that⁴²:

"One more specific area that has caused concern in the past has been the fact that 35-40% of the population in Wales live in television transmitter overlap areas that can also pick up English television. The main overlap areas are South East Wales, where viewers can receive BBC and ITV services from the West of England transmitter, North East Wales where viewers can receive Granada and BBC North West and parts of the borders of mid Wales....Determining precisely what people do in those overlap areas where there is potential to tune out Wales is something more difficult to pin down."

Research Objectives and Methodology

2.98 To provide an update on the analysis conducted into overlap viewing in 1998, Ofcom set the following goals to underpin the overlap viewing research project:

- to estimate the number of Welsh households that view only England channels;
- to understand reasons why these households are tuned to England TV signals; and
- to understand better the impact on 'citizenship' of receiving TV channels from England.

2.99 The research was undertaken in early 2007, using a quantitative telephone survey of 1500 adults living in areas where it is possible to receive TV signals from transmitters in England and/or Wales, with follow-on focus groups to explore the subject in greater depth.

⁴⁰ "Broadcasting in Wales and the National Assembly" 27 April 1999

⁴¹ Response to Ofcom's PSB Review from Alun Pugh AM, Minister for Culture, Welsh Language and Sport, 6 July 2004.

⁴² "The National Assembly for Wales elections 2003" - The Electoral Commission. November 2003. Paragraphs 4.13 - 4.14, p 47

Key Findings

2.100 Fewer than one in ten households in Wales' 'overlap' border areas watch TV channels only from England.

2.101 Almost two-fifths of households (39%) in the overlap areas watch TV on their main set using an aerial and are therefore potentially affected by the issue (14% watch terrestrial TV and 25% watch digital terrestrial television or Freeview). Of those who receive terrestrial television (digital or analogue), 8% receive only England channels on their main set, compared with 12% receiving only Wales channels. Slightly more (18%) said they received both England and Wales channels, with these almost evenly split when asked whether they tended to watch mostly England programmes, mainly Wales programmes or both equally.

Why do we say 'England channels' and 'Wales channels'?

In the research, 'England channels' referred to those English regional variants of BBC One, BBC Two and ITV1; 'Wales channels' referred to channels broadcast from transmitters inside Wales, carrying regionalised content for Welsh viewers. To avoid confusion, the England channels were not described as 'English' channels because that could refer to channels broadcast out of Wales that carry only English language programming; for similar reasons the Wales channels were not described as 'Welsh'.

2.102 **15% of Welsh households in the border areas watched only, or mostly, England channels.** If those homes receiving both Wales and England channels on their main TV set, but watching mostly England programmes, were aggregated with those who only view England channels, the proportion of homes watching England channels rose to 15% of homes in overlap areas. There were large variations by region – nearly one-third of Wrexham households (30%) watched only, or mostly, England channels compared with just 4% in the Newtown area and 7% in Cardiff.

2.103 The figures for homes receiving England-only channels from the Ofcom survey are consistent with BBC data, which suggest that the proportion of viewing of BBC One from England in Wales fell from 25% in 1998 to 10% in 2006. It is likely that increases in digital satellite and cable take-up in Wales will have had a major impact as these platforms already give prominence to Wales' Public Service Broadcasting (PSB) television channels

2.104 **Ofcom estimates there are 39,000 Welsh homes that receive only England channels, and up to 74,000 households that watch only, or mostly, England programmes.** Estimates of the number of households affected by the issue can be derived after applying a factor for the average number of adults per household (1.91). These calculations suggest that around 39,000 households in Wales receive only England channels, with the largest number of these being located around Wrexham (almost 16,000), followed by Cardiff (around 10,000). If those who could view Wales and England channels but choose to watch mostly England channels are included, the number of households affected rises to around 74,000

- 2.105 **The main reason for viewing only England channels was for better reception.** More than four in ten people viewing only England channels on their main TV set (44%) spontaneously mentioned that it was the only signal available, or that they received better reception from England (when prompted).
- 2.106 **Tuning to England channels was not an active choice for most people.** The qualitative findings suggest that most of those viewing only England channels did not actively choose to receive England channels – it appears to have been driven largely by default.
- 2.107 **There was low awareness/understanding that a choice of signals was available.** Only half of those who currently receive either England or Wales channels on their main TV set (51%) think there is a choice of regional signals in their home area.
- 2.108 **For those with access to England and Wales channels, they chose England because of the language, content quality and news.** Among those who viewed both the England and Wales channels, the inability to understand Welsh was the most frequently mentioned reason why those who could receive both England and Wales channels chose to watch the England channels. Programme quality and the news content on England channels were also spontaneously mentioned.
- 2.109 **There was significant interest in Wales channels among England-only viewers.** Almost half of those currently viewing only England channels (45%) would consider changing to the Wales channels.
- 2.110 **The main reason for being interested in receiving Wales channels was local news and information.** The survey findings above were reinforced by the focus groups. The key motivation for wanting Wales channels was a desire for Wales news, weather and sport (to a lesser extent). There was a feeling (not surprisingly) among England-only viewers that their area was ignored by the England regional news service they received. Some people were also interested in regional programmes from and about Wales, especially featuring their locality, e.g. in Wrexham, coverage of the Llangollen International Eisteddfod or watching a programme featuring a local dance group filmed in the vicinity. Respondents felt strongly that, as residents of Wales, they should be entitled to Wales programmes. At the same time, they often wanted more than just the Wales channels, wishing instead to retain the England channels they currently had (predominantly for Channel 4 and Five) while adding BBC Wales and ITV Wales.
- 2.111 The factors that dissuaded viewers of England channels from switching to Wales channels (other than reception) were inertia, habit and channel preference. Inertia was a powerful factor keeping viewers watching England channels. Around three in four of those viewing only England channels agreed that “our television has always been tuned this way”. Another significant issue was the channel portfolio available from transmitters based in England. Around two-thirds of England-only viewers in the survey agreed with the statements: they “prefer Channel 4 to S4C” and “I want to receive Five” (66% and 63% respectively).

- 2.112 **There were misconceptions about Wales channel content among viewers of England channels.** The qualitative research findings revealed that most England-only viewers were not prepared to 'trade' C4 for S4C, mainly because they were not Welsh speakers but also, to a lesser extent, because of S4C's rescheduling of C4 programmes. There was widespread misconception among non-Wales viewers in the focus groups that all Wales channels featured Welsh language content. Only a minority of England-only viewers were aware that S4C is the only channel featuring programmes in the Welsh language. Because of this poor understanding of the content of Wales channels, respondents felt that non-Welsh speakers would inevitably choose the England channels over the Wales ones.
- 2.113 **While there was interest in receiving the Wales channels, few people were motivated enough or knowledgeable enough to go to the trouble of installing a second aerial.** Aerials were a low interest area in this research. They are normally a 'distress' purchase, only considered when something goes seriously wrong (and not necessarily even when people move home), so the idea of a second aerial had not occurred to most respondents. Moreover, most consumers appear to have low levels of technical literacy and there is considerable confusion about aerials and equipment.
- 2.114 **England-only viewers were less likely to feel well-informed about what was going on in their area when compared to those viewing Wales television channels.** 64% of England-only viewers felt very or fairly well-informed about what was going on in their area – a full fifteen percentage points behind the Wales channel viewers, where 79% fell into the same category. The qualitative findings reinforced this finding – differences emerged in awareness and familiarity with Welsh news and current affairs between those receiving Wales programmes and those not doing so.
- 2.115 **England-only viewers were less likely to be able to name their Assembly Member and were less likely to say they vote in Assembly elections.** England-only viewers appear to be as interested in the Welsh Assembly and the impact it has on the lives of people living in Wales as those who received or watched channels from Wales. 51% of the former said they were very or fairly interested, compared with 49% of those receiving only Wales channels and 47% of those receiving both Wales and England channels. However, while 32% of Wales-only viewers could correctly name their local AM, only 23% of England-only viewers could do so. Likewise, when asked about Members of Parliament, just over half the Wales-only viewers (55%) could name their local MP, compared with 36% of England-only viewers. In the qualitative study, although England-only viewers were as aware of headline Assembly policies (such as lower / free prescription charges and free bus travel for the over-60s) as Wales viewers, the former were more likely to admit to low, or no knowledge of the Assembly.
- 2.116 Turning to stated voting intentions in the survey, while there was no difference in terms of Parliamentary elections, a higher proportion of England-only viewers claimed they never voted in Welsh Assembly

elections (33%) than was the case among Wales-only or Wales and England viewers (21% and 25% respectively).

Section 3

Radio in Wales

- 3.1 Traditional radio policy in the UK, as set out in legislation and implemented by regulators, is for the BBC to be the focus of UK wide broadcasting and commercial radio to be the focus of local broadcasting (although, unlike Wales, the BBC also provides extensive local broadcasting in England). In addition, commercial radio now offers increasing numbers of UK-wide services.
- 3.2 However, competition for stations of all sizes has increased dramatically in recent years, not only from within the medium but from outside it as well. These pressures are as evident in Wales as elsewhere in the UK, although the commercial radio market has historically been less developed in Wales than in England. Consequently there has been some rapid expansion of commercial radio in Wales in recent years. For example, when Ofcom advertised the licence for a second regional FM service for south Wales (awarded in May 2007 to XFM) it was hotly contested, with applications received from eight radio groups. Although Ofcom has ceased the licensing of further commercial FM services across the UK, it is possible that, subject to frequency availability, a commercial FM licence serving mid and north Wales will be announced during 2008.
- 3.3 Local programming is expensive to deliver and the commercial realities of increasing competition mean that it is no longer sustainable to the extent it used to be. So the pressure on commercial radio, which is primarily a local broadcasting system, is being felt particularly hard. However in Wales, it could be argued that there is still significant demand for local programming and several of the radio groups serving Wales continue to demonstrate a strong commitment to local programming as a core element of their business strategies. For example, Radio Pembrokeshire, owned by Town and Country Broadcasting, is the most popular station in Wales in terms of the percentage share of its audience and despite having an audience of only 59,000 people per week, it reaches 56% of its target population.
- 3.4 However, the economic changes in the radio environment have had a more rapid and profound impact on the industry than was foreseen just a few years ago when the existing legislation was put in place. As a result, the familiar ways of regulating radio, designed for a largely local analogue radio system, which have served listeners and the industry well, may be ineffective and disproportionate in the digital era.
- 3.5 But the problems faced by commercial radio are not all due to the way the system is regulated. Some are structural, to do with changing business models and competing claims on advertising spend, and some are due to commercial stations not always having made the most of the business opportunities they had. There are two main pressures for change in the structure and regulation of the industry:
 - The first is that increasing competitive pressures mean that existing programming commitments may no longer be sustainable. A healthy,

sustainable commercial radio industry is necessary to deliver the public policy objectives which help Ofcom to meet its statutory duties. The current level of regulation of the sector is heavy compared to that applied to other media, and the cost to the commercial radio industry of this current level of regulation arguably is high, and may be disproportionate. This argues for a general reduction in the level of regulation of the analogue commercial local radio sector.

- The second is that an increasing proportion of listening is on digital platforms, which are expected to account for the vast majority of radio listening in ten years' time. As digital platforms are significantly less regulated than traditional analogue (AM and FM) local radio, this argues for an alignment of analogue and digital regulation.

3.6 Changes in regulation alone cannot secure the future of commercial radio – much of that is up to the industry itself – but they may help. Ofcom is proposing to reduce the regulation of analogue radio and align the analogue and digital regimes more closely, taking into account three aims, set out by Parliament:

- The desire for a diversity of programming on commercial radio, catering for different tastes and interests
- The desire for local programming to cater for local tastes and interests and fulfil the need of citizens for news about their local community to ensure informed debate
- The desire for plurality to ensure access for different voices and viewpoints on both local and national radio

3.7 However, in creating a long-term plan for the radio industry, it has to be recognised that the future is far from certain. There is a general trend towards digital listening replacing analogue, with increasing take-up of Digital Audio Broadcasting DAB but new technologies are emerging all the time, which could gain widespread public acceptance and uptake. Similarly other pressures on the industry are increasing, such as a reported move of advertising spend from traditional media to the internet.

3.8 Ofcom has clear statutory duties and regulatory principles. Combined with an analysis of the rationale for intervention and potential public purposes Ofcom has developed strategic aims for the regulation of radio. The framework has three elements:

(i) To enhance choice, diversity and innovation for consumers at the UK, national, regional, local and community levels. Ofcom aims to ensure:

- that local material is provided by regulating in the most effective way possible;
- the development of more choice and competition by licensing new analogue and digital services and by encouraging the growth of digital radio and
- encourage the growth of a strong commercial sector, capable of extending range and choice and investing in the future.

(ii) To secure citizens' interests through the provision of radio designed to meet public purposes. The public purposes will be met in different ways by different sectors, taking into account:

- the need to achieve a balance between the public and commercial sectors and clear boundaries between them;
- the amount of public funding and intervention required to meet the public purposes;
- the importance of plurality of provision of radio designed to deliver those purposes; and
- the need to encourage the development of a thriving community radio sector.

(iii) To do this with as little intervention in the market as possible, consistent with meeting Ofcom's objectives:

- based, where possible, on the range and quality of services provided to consumers, rather than intervening to determine production methods;
- in a way that is as consistent as possible across media and across platforms; and
- adapting regulation to changes in the market and increasing levels of competition

3.9 Alongside this framework Ofcom has also published, following consultation, an outline of what a healthy radio market in the UK would look like. The aim is to encourage a market-driven approach, alongside a strong independent BBC, aimed at delivering the following benefits for consumers:

- A wide range of innovative UK-wide commercial stations – providing competition for the BBC, and plurality of provision in all major genres; both UK-wide services, and specific services for the nations.
- A wide range and diversity of local and regional commercial services - catering for local tastes and interests, with a particular focus on local news, providing a sense of community and serving local communities, but also providing local programming of more specialist interest.
- Community services for every community that wants one – Providing programmes for special interest groups (including ethnic and religious communities), providing a sense of identity in local communities, with community involvement and participation, broadcasting community information and allowing for debate. All supported by multimedia services where viable - On-demand, downloads, archive, text and graphical information. Available where and when audiences want, on devices which offer real consumer benefits.

3.10 In order to begin to achieve these goals, Ofcom has already announced:

- The allocation of spectrum to DAB to deliver most of these goals, including a second UK-wide commercial radio multiplex to provide more diversity at a national level, and more local radio multiplexes to facilitate local DAB services in every part of the UK. However, DAB (or existing FM) will not allow for the delivery of all of these goals, and other technologies for example, Digital Radio Mondiale (DRM) may be required to deliver them all. Ofcom has also agreed a move from input to output regulation, allowing more automation, the use of news hubs and some co-location by neighbouring radio stations.

- 3.11 Ofcom is therefore considering the need for the regulation of diversity (as currently regulated via Formats, but also through statutory format requirements in respect of UK-wide analogue services), localness (also currently regulated via Formats) and plurality (as currently regulated via media ownership rules) in the interim.
- 3.12 Ofcom aims to develop a plan to ensure maximum flexibility in planning the future of the analogue (FM and AM) spectrum, to ensure that it is used efficiently if the majority of listening is on digital platforms in ten years' time. It could be used to deliver small-scale local and community radio, but there may well be applications other than radio that it could be used for.
- 3.13 The statutory framework for community radio needs to be reviewed to determine whether this remains appropriate. (The DCMS required Ofcom to carry out such a review in 2007).

Service Availability

- 3.14 As set out above, listeners in Wales can access radio services through a variety of platforms and technologies as in other parts of the UK. The BBC provides two national services for Wales, Radio Wales in English and Radio Cymru in the Welsh language. In addition, there are 19 local and regional commercial radio stations serving Wales along with four community radio stations currently on air (with at least a further two stations due to go on air during spring 2008).

The BBC's Services for Wales: Radio Wales, Radio Cymru

- 3.15 The British Broadcasting Company obtained its licence to broadcast in 1923 and public service broadcasting in Wales began in the same year with the opening of a radio station in Cardiff. The BBC Welsh Region was given its own separate frequency for sound broadcasting in 1937 and it became known as BBC Wales in 1964. The BBC's radio service for Wales broadcast some Welsh language programming (as early as 1923) in addition to English language programmes. However in 1977, separate English and Welsh language radio stations were established - Radio Wales and Radio Cymru. At that time the majority of radio listening was on the Medium Wave and so the BBC's AM frequencies were allocated to Radio Wales. Radio Cymru therefore began broadcasting exclusively using FM on VHF and at the time many listeners had to buy new radio sets to receive the service.
- 3.16 Today, BBC Radio Wales continues to be broadcast on the medium wave (882 Khz and 657 Khz AM), and this service can be received across most of the country. However, listener demand for Radio Wales to be broadcast on FM has gradually increased over the years, due to its superior sound quality. But as most of the available VHF frequencies in Wales had already been allocated to Radio Cymru, it was difficult to accommodate Radio Wales as well and its VHF coverage remains limited currently to around 62% of Wales' population. Radio Wales is also available on digital audio broadcasting (DAB) on the Cardiff/Newport and Swansea local commercial DAB multiplexes and on other digital platforms, Sky satellite across the UK, Virgin Media cable in Wales, DTT (Freeview) in Wales and on line via the BBC's web site.

3.17 The Welsh language service BBC Radio Cymru was launched in 1977, specifically as a VHF/FM service (on 96-105 Mhz) and currently broadcasts around 20 hours a day of Welsh language content. Radio Cymru's FM coverage is very good, reaching 94.8% of the population in Wales. As with Radio Wales the service is also available on DAB in Cardiff/Newport and Swansea and other digital platforms in Wales.

3.18 Radio Wales is currently the most popular Wales based radio station within Wales with a total reach of 465,000 people per week in 2006. When combined with Radio Cymru this figure reaches 584,000.

Local and Regional Analogue Commercial Radio in Wales

3.19 Wales is currently served by the following local and regional commercial radio stations:

Wales: Commercial Radio Stations

Station	Area	Group	Population Coverage ⁴³ (000s)	Reach (000s) (Wk)	Licence Expiry Date
Kiss 101	South Wales/SW England	Emap	2,505	354	01/09/2009
Real Radio	South Wales	GMG	1,943	388	01/10/2008
Red Dragon FM	Cardiff/Newport	GCap	1,082	369	31/12/2009
Gold (Cardiff and Newport)	Cardiff/ Newport	GCap	1,082	30	31/13/2009
Marcher Sound	Wrexham and Chester	GCap	668	94	04/08/2016
The Wave	Swansea	UTV	591	165	29/09/2011
Swansea Sound	Swansea	UTV	591	64	29/09/2011
Valleys Radio	south Wales valleys	UTV	506	74	22/11/2016
Gold (Wrexham and Chester)	Wrexham and Chester	GCap	484	22	04/09/2015
Swansea Bay Radio	Swansea	T&C	302	-	-
Bridge FM	Bridgend	T&C	186	44	30/04/2012
Radio Carmarthenshire	Carmarthenshire	T&C	144	39	12/06/2016
Coast 96.3	North Wales Coast	GCap	139	57	26/08/2009
Champion 103	Caernarfon	GCap	137	53	10/12/2012
102.5 Radio	Pembrokeshire	T&C	106	59	13/07/2010

⁴³ Adults (15+)

Pembrokeshire Radio Ceredigion	Ceredigion	Tindle	72	-	13/12/2008
Radio Maldwyn The Magic 756 XFM	Montgomeryshire South Wales	Murfin Media GCap	67 950	-	30/06/2009 28/11/2019
Sunshine	Herefordshire and Monmouthshire.	Laser	200	-	

Source: RAJAR. Not all stations in Wales are currently included in the RAJAR survey.

Note: The Radio Carmarthenshire licence includes Scarlet FM which serves Llanelli. Kiss FM's licence area covers south Wales and the West of England. All stations are FM except Radio Maldwyn, Valleys Radio and Swansea Sound which are AM stations. Swansea Sound is also carried on DAB radio.

Commercial Radio Regulation

3.20 Section 3 of the 2003 Communications Act requires Ofcom to ensure that there is a wide range and diversity of radio service which (taken as a whole) are both of high quality and calculated to appeal to a variety of tastes and interests. The Act also requires Ofcom to secure the optimal use of the electro-magnetic spectrum and the maintenance of a sufficient plurality of providers of different radio services.

3.21 Under Section 85 of the 1990 Broadcasting Act Ofcom is required to secure the provision of a diversity of UK-wide analogue services (of which one must consist mainly of speech and another must consist wholly or mainly of non pop music) and a range and diversity of local services.

3.22 Under Section 314 of the 2003 Communications Act, Ofcom is required to ensure that in local analogue radio services programmes consisting of or including local material are included in such services, but in the case of each such service, only if and to what extent (if any) that Ofcom considers appropriate in that case; and where such programmes are included in such service, what appears to Ofcom to be a suitable proportion of them consists of locally made programmes.

3.23 Currently analogue UK-wide, regional and local commercial radio is regulated by Ofcom through a Format, a single page document produced for each station, available on Ofcom's web site. Formats ensure a diversity of programming by specifying the type of material that the station will broadcast (as proposed at the time of application for a licence), such as the type of music, the amount of speech and the number of news bulletins. The degree of detail required in a Format is a matter of regulatory policy rather than statutory requirement. Formats are also used to specify the amount of local material and the amount of locally produced programming the station must provide (again, as proposed at the time of application for a licence). These requirements are backed up by a set of localness guidelines produced by Ofcom which set out how we consider localness can best be delivered.

- 3.24 Plurality ownership rules, set by Parliament and Government, are designed to ensure a plurality of ownership of local analogue commercial radio stations and other local media.
- 3.25 The Ofcom Broadcasting Code sets out rules to prevent harm and offence in programming, to protect fairness and privacy and to maintain due impartiality and accuracy in news. The code also covers sponsorship of radio programmes and services, commercial references, the coverage of crime and religion, and other matters relating to programme content.

Wales: Commercial Radio Ownership - Main Radio Groups

- 3.26 **GCap Media Plc:** This group is the UK's largest commercial radio broadcaster created following the merger of the GWR Group and Capital Radio. In Wales GCap owns XFM, Red Dragon Radio and Gold (Cardiff/Newport) in south Wales and Champion FM, Coast FM, Marcher Sound and Gold (Wrexham/Chester) in north Wales. GCap also owns the Now Digital DAB multiplex, serving Cardiff/Newport. Across the UK the group owns 74 analogue licences and over 100 digital radio services. The group has an overall share of 13.1% of the UK's radio listening.
- 3.27 **Emap:** The group owns Kiss FM a specialist dance music station serving south Wales and the west of England. Across the UK it operates 40 local and 8 UK-wide stations, representing around 10.1% of all radio listening in the UK.
- 3.28 **Guardian Media Group (GMG):** In Wales this group owns Real Radio, an FM station providing adult mainstream music and speech, serving south Wales and is the most listened to commercial station in Wales. The group also has a share in the MXR DAB multiplex which serves south Wales and the West of England. Across the UK the group owns Real Radio stations in Yorkshire and Central Scotland and it operates Smooth (music aimed at the over 50s) in London, East and West Midlands, North West England and Glasgow. The group has created three news-hubs in Manchester, London and Glasgow to provide a news service for its network of stations.
- 3.29 **UTV Radio:** The company is a subsidiary of UTV Plc which owns the ITV Channel 3 licence for Northern Ireland and a range of radio services across the UK. In Wales it owns Swansea Sound, The Wave and Valleys radio, and also has a share in the Swansea DAB multiplex. Following acquisition of the Wireless Group in 2005, UTV also owns the UK-wide AM station talkSPORT. The group is part of 4Digital Group which was awarded the second UK-wide DAB licence and it plans to launch a second UK-wide station, Talk Radio on DAB in 2008.
- 3.30 **Town and Country Broadcasting:** Wales only indigenous radio group, has become one of the largest commercial radio operators in Wales. It owns Radio Pembrokeshire (named as commercial radio station of the year for the second year running in June 2006), Scarlet FM, Radio Carmarthenshire, Swansea Bay Radio and Bridge FM. giving continuous FM coverage from the Pembrokeshire coast to Cardiff and an overall potential audience of almost 1 million listeners.

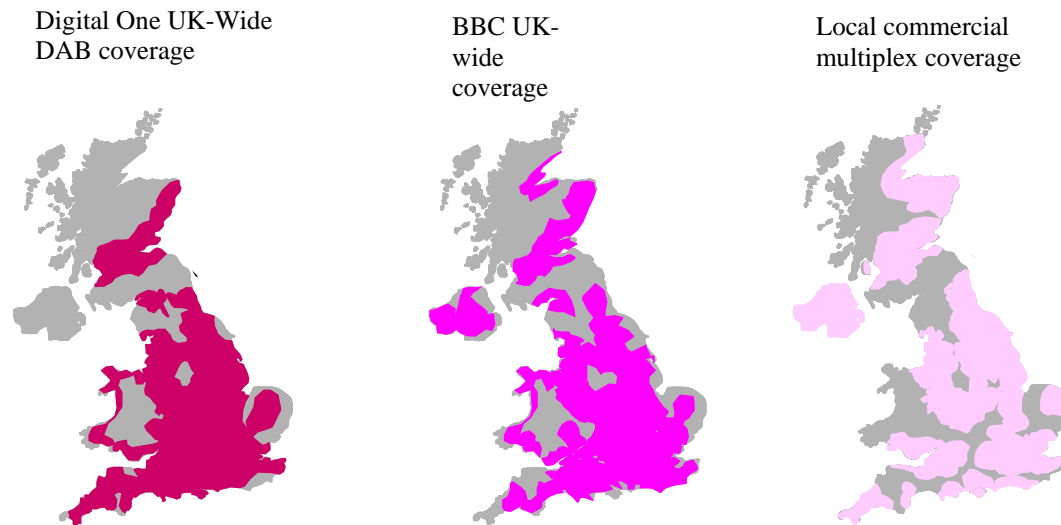
- 3.31 **Laser Broadcasting:** The group is the largest shareholder of Sunshine Radio which broadcasts on FM to Herefordshire and Monmouthshire, (including Abergavenny and Monmouth) along with AM stations under the Sunshine brand in the west midlands.
- 3.32 Of Wales' smallest commercial stations, Radio Ceredigion, based in Aberystwyth, is owned by the Tindle Newspaper Group (which is separate from the Tindle Radio Group) while the largest shareholding in Radio Maldwyn, based in Newtown and serving Powys in mid Wales, is held by Murfin Media Ltd.

Review of AM and FM

- 3.33 Ofcom does not currently propose that a switch-off date should be set for existing analogue (FM and AM) services. However, there are strong reasons why it may be a good idea to have the flexibility to re-use the spectrum currently used by analogue (FM and AM) radio for other things in the future, for the benefit of citizens and consumers. Those other things could include more FM and AM radio, other radio technologies, other broadcasting services (such as mobile TV), or something else completely. In order to maximise that flexibility, it would be necessary to have the ability to clear the spectrum of many, if not all, current users in each waveband simultaneously. This implies achieving a common end-date for existing analogue licences (in respect of commercial radio) and services (in respect of the BBC).
- 3.34 It is important to note that at this stage that there is no proposal for existing analogue radio services, either on FM or on AM, to be switched-off at a particular date, only that flexibility should be sought to name such a date and implement such a clearance policy at some point in the future. The dates for clearing the spectrum need not be the same for medium wave and VHF Band II, or even the same for different sets of frequencies, or sub-bands, within the medium waveband or VHF Band II.
- 3.35 The existing analogue local commercial radio licences begin to expire soon. (For example, in Wales six licences are due to expire by 2008/9.) Across the UK there are currently 308 licensed (or planned) analogue local commercial radio stations (251 FM licences and 57 AM licences). All stations operate under the same regulatory regime. The programme of licensing new analogue commercial radio stations is almost at an end. Licences have been awarded where there were available frequencies and evidence that potential operators wished to apply for them.
- 3.36 New licences are granted for up to 12 years. However, any licensee which also provides a digital radio service on a local DAB multiplex in the same area is entitled to apply, on one occasion only, for a 12-year renewal of its licence. There is no scope for Ofcom to change this 12-year renewal period. All licensees whose licences were granted prior to the passage of the Communications Act 2003 (and thus were granted for an eight-year period) are also entitled to apply to have their licences extended by four years. This process of extending licences is likely to continue for some years to come, and is separate from the renewal process described above.

- 3.37 Existing licences are due to expire from 2009 onwards, with the latest expiry date currently occurring during 2027. Ofcom believes that the differing characteristics of VHF Band II and medium wave imply that each waveband should be the subject of its own review to determine a common end-date for the existing users of the spectrum. In respect of VHF Band II, Ofcom suggests that a review should be undertaken in 2012, or when listening on digital platforms accounts for 50% of all radio listening, whichever is the earlier, to assess the state of the market and the prospects for digital radio, across all platforms, the prospects for FM radio and for other prospective uses of VHF Band II, in order to determine what a common end-date for existing FM commercial radio licences should be and when the spectrum occupied by FM services (commercial and BBC) could be re-allocated, potentially for other uses.
- 3.38 In light of the smaller proportion of radio listening accounted for by AM services, and the rapid decline in this level of listening, a review of the future use of medium wave spectrum should be undertaken by Ofcom earlier than the equivalent review in respect of VHF Band II possibly in 2009. Like that for VHF Band II, this review would assess the state of the market and the prospects for digital radio, across all platforms, the prospects for AM radio and for other prospective uses of medium wave, in order to determine what a common end-date for existing AM commercial radio licences should be and when the spectrum occupied by AM services (commercial and BBC) could be re-allocated, potentially for other uses. These reviews should consider all of the costs and benefits, economic and social, for spectrum users and for consumers (including the needs of the vulnerable). They should also consider what the alternative uses of the spectrum might be, and develop an appropriate framework for awarding the spectrum which is consistent with Ofcom's statutory duties and stated policies.
- 3.39 The setting of a common end-date for analogue commercial radio licences is likely to depend, at least in part, upon the take-up of digital radio receivers and the proportion of all radio listening which is accounted for by digital services at that time. Digital radio listening is forecast to account for almost 90% of all listening by the end of 2016, but it is possible that digital listening may not grow as fast as expected, or that the penetration of digital receivers, especially in cars, does not reach the required level. In such circumstances, it may be the case that the most appropriate use for VHF Band II spectrum and/or medium wave spectrum would continue to be radio broadcasting. This is why flexibility in setting an end-date must be maintained for as long as possible.
- 3.40 The BBC's use of VHF Band II and medium wave spectrum will of course also have to be taken into account in the setting of a common end-date for existing FM and AM services. The BBC currently uses over half of the total VHF Band II (FM) spectrum – its four UK-wide networks use 8.8MHz, and a further 3MHz is allocated for the provision of BBC local and nation radio services (although a few commercial and community stations also use frequencies in this part of the band).

3.41 Digital Audio Broadcasting (DAB) Radio in Wales



3.42 Unlike conventional AM and FM radio which provides one radio service per frequency, DAB is delivered via a multiplex which uses one frequency to provide a number of digital radio services. DAB radio is currently delivered across Wales via the UK BBC multiplex⁴⁴ and the Digital One multiplex, owned by GCap and Arqiva (which serves around 74% of the population in Wales). The BBC multiplex carries all of the BBC's UK based radio services, Radio 1,2,3,4, 5 live, 6, 7, BBC Asian Network, 1Extra and 5 Live Sports Extra, while Digital One carries Classic FM, One Word, talkSPORT, Capital Life, Virgin Radio, Planet Rock, Core and The Jazz. For technical reasons, as single frequency networks operating across the UK, it is not possible to vary the service line-up on these multiplexes to carry services specifically for Wales and consequently the BBC UK multiplex does not carry Radio Wales and Radio Cymru. A second UK wide DAB commercial multiplex licence was awarded to in July 2007 to the 4Digital Group, which will allow the broadcasting of a number of new radio services as well as the delivery of other multimedia services such as text and data.

3.43 In the UK, DAB services are also delivered via local commercial multiplexes which in addition to commercial digital radio services are also obliged to carry the BBC's local radio services⁴⁵. Ofcom advertises these multiplexes according to agreed timetables driven in part by commercial demand from prospective applicants. In England this arrangement has worked reasonably well (although the existing coverage areas for some local multiplexes does not always exactly fit BBC local radio coverage areas).

3.44 To date, in Wales, two DAB local commercial multiplexes are currently on-air, serving Cardiff/Newport and Swansea. The Cardiff and Newport multiplex is operated by Now Digital (owned by GCap Media) and broadcasts, Red Dragon FM, Gold (Cardiff and Newport), XFM South Wales, Chill, and Fun Radio, along with BBC Radio Wales and Radio

⁴⁴ The BBC does not have a public figure for the coverage of its UK DAB multiplex in Wales.

⁴⁵ Under Section 49, 1996 Broadcasting Act⁴⁵, the BBC can secure carriage for its nations and local services on the local commercial DAB multiplexes operating in the UK

Cymru. The Swansea multiplex is operated by UTV–EMAP Digital and it carries The Wave, Swansea Sound, Kiss, Smash! Hits and the Welsh language learners service Radio Acen, (along with BBC Radio Cymru and Radio Wales). Together the licence areas of these multiplexes cover around 56% of the Welsh population⁴⁶.

3.45 Ofcom has awarded a further multiplex in north east Wales and has advertised for a DAB multiplex to cover mid and west Wales. However, coverage of Radio Wales and Radio Cymru on DAB is therefore currently limited to parts of south and east Wales.

3.46 South Wales is also served by the Severn Estuary DAB multiplex (which also broadcasts to the West of England). This multiplex, operated by MXR, carries the following programme services⁴⁷, Choice, Kiss 101, Heart, Real Radio, The Arrow, Smooth and LBC.

3.47 Extending the coverage of Radio Wales and Radio Cymru on DAB in Wales therefore depends upon the spread of local commercial DAB multiplexes. DAB technology continues to be significantly more expensive than analogue and in business operating terms it favours economic models based on transmission to densely populated areas. However, in response to concerns expressed by The Welsh Assembly Government, the former BBC Broadcasting Council for Wales (and now the BBC Trust's Audience Council for Wales) and Ofcom's Advisory Committee for Wales, regarding the coverage of Radio Wales and Radio Cymru on DAB, Ofcom has, over the past two years, prioritised the advertising of local commercial multiplexes for other parts of Wales⁴⁸.

3.48 Ofcom advertised a local DAB multiplex for north east Wales, including Wrexham and Cheshire in February 2007 and on 6 September 2007 announced its award to MuxCo Northeast Wales and West Cheshire Limited. The key shareholders in this bid include Town and Country Radio, and UTV. MuxCo Northeast Wales and West Cheshire is proposing to provide seven local digital sound programme services, in addition to BBC Radio Wales and BBC Radio Cymru. Ofcom estimates that this licence could achieve coverage of an area with an adult (aged 15+) population of around 647,000 (with 231,000 15+ listeners based in north east Wales). The multiplex is due to start broadcasting in late summer 2008.

3.49 On 9 November, Ofcom published a revised licensing evaluation chart for DAB which includes a multiplex for the rest of North Wales, covering the area not already served by the Wrexham and Chester multiplex. The area covered will be the counties of Gwynedd, Anglesey, Conwy and most of Denbighshire (predicted adult 15+ population within the licensed area: 311,146). Both these multiplexes will have capacity reserved for BBC Radio Wales and BBC Radio Cymru. The timing of the award is conditional on the Republic of Ireland releasing use of frequencies in VHF Band 3 which are currently used in the Republic for analogue television (but which are used in

⁴⁶ (Adults 15+) Not everyone living within these areas will be able to receive a service. Actual coverage depends on local topography and transmitter roll-out and varies by multiplex between around 70% and 95% of the licensed area.

⁴⁷ This multiplex does not carry Radio Wales and Radio Cymru.

⁴⁸ Policy Implications arising from the Communications Market, Ofcom, 12 October 2006

the UK for DAB radio). The achievable coverage of the north Wales service may therefore be significantly constrained until June 2015 (at the latest) under the terms of international spectrum agreements.

3.50 On 28 November Ofcom advertised a new local DAB radio multiplex licence to cover Mid and West Wales. Originally this multiplex was planned to cover only Pembrokeshire and Carmarthenshire but it was extended to cover Ceredigion and Powys in order to facilitate the provision of Radio Wales and Radio Cymru across as much of Wales as possible. Ofcom estimates that this licence could achieve coverage of an area with an adult (aged 15+) population of around 400,000. The exact coverage will be determined by the location of the successful applicant's transmission sites and other technical characteristics. The closing date for the receipt of applications is 20 February 2008.

Community Radio

3.51 Community radio licences are issued for small-scale, not-for-profit radio stations operated for the good of members of the public, or of particular communities, and in order to deliver social gain. The DCMS Community Radio Order 2004 sets out a wide range of requirements which broadcasters must comply with in order to be awarded and subsequently retain a community radio licence.

3.52 In Wales there are currently seven licensed services, with four services currently on air. Ofcom is also currently considering applications from two groups that have applied for licences in North Wales following an invitation issued in July 2007: Point FM serving Rhyl and Tudno FM based in Llandudno. (If successful, licences for these groups could be awarded in spring 2008).

Community Radio Stations: Wales

<u>Station</u>	<u>Area/Town</u>	<u>On Air date</u>
GTFM ⁴⁹	Pontypridd	01/01/2006
Afan FM	Port Talbot	20/04/2007
Radio Cardiff	Cardiff	25/10/07
BRFM	Blaenau Gwent	18/10/2007
Radio Tircoed	Swansea valley	Not yet on air
Calon FM	Wrexham	Not yet on air
Bro Radio	Barry	Not yet on air

⁴⁹ GTFM was one of the original access pilot stations licensed by the Radio Authority.

Community radio characteristics of service

3.53 Community radio is intended to be clearly distinct from commercial broadcasting and the BBC. In order to ensure this, the Government has imposed some specific 'characteristics of service' requirements which such stations must adhere to. The detailed nature of these commitments derive from the statutory requirements for community radio, as set out in Article 3 of the Community Radio Order 2004, which state that all such services must:

- a) Be provided primarily for the good of members of the public or of particular communities and in order to deliver social gain, rather than primarily for commercial reasons or for the financial or other material gain of the individuals involved in providing the service.
- b) Be intended primarily to serve one or more communities (whether or not it also serves other members of the public). (A community is defined as either people who live or work or undergo education or training in a particular area or locality, or people who have one or more interests or characteristics in common).
- c) Not be provided in order to make a financial profit, and uses any profit produced as a result of the provision of the service wholly and exclusively to secure or improve the future provision of the service or for the delivery of social gain to members of the public or target community.
- d) Offer members of the target community opportunities to participate in the operation and management of the service.
- e) Be accountable to the target community.

Selection criteria

3.54 In addition to the above, the statutory criteria to which Ofcom must have regard when deciding whether or not to award a licence are more numerous for community radio than for commercial radio. In awarding community radio licences, Ofcom must take account of the seven selection criteria, under section 105 (1) of the Broadcasting Act 1990 (as modified). These selection criteria are as follows:

- a) The ability of each of the applicants for the licence to maintain, through the period for which the licence would be in force, the service which he proposes to provide;
- b) The extent to which any proposed service would cater for the tastes and interests of persons comprising the relevant community, and, where it is proposed to cater for any particular tastes and interests of such persons, the extent to which the service would cater for those tastes and interests;
- c) The extent to which any proposed service would broaden the range of programmes available by way of local services to persons living in the area or locality in which it would be provided, and, in particular, the extent to which the service would be of a nature or have a content distinct from that of any other local service for which would overlap the licence for the proposed service;
- d) The extent to which there is evidence that amongst persons living in that area or locality, there is a demand for, or support for, the provision of the proposed service.
- e) The extent to which the provision of any

such proposed service would result in the delivery of social gain [see paragraphs 6.83 – 6.84 below] to the public or relevant community;

f) The provision that each of the applicants proposes to make in order to render himself accountable to the relevant community in respect of the provision of the proposed service;

g) The provision that each of the applicants proposes to make to allow for access by members of the relevant community to the facilities to be used for the provision of the service and for their training in the use of those facilities.

3.55 Not only are the output requirements of community radio services defined in great detail by the legislation, the same applies to operational inputs, in particular those of ownership and funding. In respect of both the characteristics of service and the selection criteria, "social gain" is further defined in the Community Radio Order as being the achievement, in respect of individuals or groups of individuals in the community that the service is intended to serve, or in respect of other members of the public, of the following objectives:

a) the provision of sound broadcasting services to individuals who are otherwise underserved by such services,

b) the facilitation of discussion and the expression of opinion,

c) the provision (whether by means of programmes included in the service or otherwise) of education or training to individuals not employed by the person providing the service, and

d) the better understanding of the particular community and the strengthening of links within it.

3.56 In addition, the Order recognises that community stations may also deliver a wide range of additional (non-mandatory) types of social gain, including the following:

a) the delivery of services provided by local authorities and other services of a social nature and the increasing, and wider dissemination, of knowledge about those services and about local amenities;

b) the promotion of economic development and of social enterprises;

c) the promotion of employment;

d) the provision of opportunities for the gaining of work experience;

e) the promotion of social inclusion;

f) the promotion of cultural and linguistic diversity;

g) the promotion of civic participation and volunteering.

Financial requirements

3.57 Community radio licensees must operate within strict financial constraints, requiring that they be funded from a variety of sources, with no one source of funding comprising more than 50% of the cost of providing the service within each financial year. Licensees must also operate on a non profit-distributing basis, ploughing any excess revenues back into the operation of the service.

3.58 The majority of community radio services are allowed to generate up to 50% of their funding from on-air commercial sources (spot-advertising

and sponsorship opportunities taken together). But a small number of community radio services are banned from obtaining any income from such sources in order to protect the interests of nearby small-scale commercial stations⁵⁰ which serve more than 50,000 but fewer than 150,000 adults (aged 15 +) within their MCA (Measured Coverage Area)⁵¹. For example, this restriction would apply in the case of two groups that have currently applied to set up community stations serving Rhyl, because the commercial station, Coast FM, which is based nearby serves a total population of 139,000 adults.

- 3.59 A further restriction, also implemented to protect very small-scale commercial stations, is that Ofcom is prohibited from licensing any community radio services which would have a coverage area that would overlap by 50% or more (in terms of population) with the MCA (Measured Coverage Area) of an existing commercial radio station containing 50,000 adults (aged 15+) or fewer.

Ownership requirements

- 3.60 Community radio services must comply with the various ownership rules set out in the Broadcasting Act 1990 (as amended). These regulations relate to involvement by local authorities, political parties, the BBC, advertising agencies, religious bodies, and those convicted of unlicensed broadcasting (Part II of Schedule 2 of the Broadcasting Act 1990). In some cases the regulations prohibit any involvement, while in others they simply limit the scale of any such involvement. These regulations apply to almost all broadcast services, not just community radio services. In addition however, community radio services must also adhere to a number of additional ownership requirements, the most fundamental of which is that any single organisation may only own a maximum of one community radio licence. As well as commercial radio operators, the BBC, Channel 4 and S4C are all prevented from holding such a licence, but no such restriction applies to other broadcasters including satellite radio stations and the operators of restricted service licences.

Key Commitments and report back

- 3.61 Once a community radio station is operational it must comply with the terms of its 'Key Commitments' as set out within its Broadcasting Act licence. This is the equivalent of the Format included in every analogue commercial radio licence, but is far more detailed, including, as well as the nature of the programme service to be provided, details of the licensee's commitments in respect of the delivery of social gain, training, access and accountability. The licensee must also report back to Ofcom each year on its financial and operational activities to ensure that these too comply with legislative requirements. When compared to the criteria against which commercial radio stations are assessed, community services face a

⁵⁰ Of the 107 community services awarded licences in the first round of licensing, five had restrictions placed in their licences to prevent the generation of income through on-air commercial activities.

⁵¹ The Measured Coverage Area of a radio station is defined by the technical characteristics of its transmission. It is the area within which the signal available for reception is of above a specified signal strength.

considerable additional burden in terms of compliance. Against such a background it should however be remembered that, as community radio stations are required to operate on a non-profit-distributing basis, they may be able to access some additional sources of funding which are not typically available to commercial stations.

- 3.62 A further issue for community stations is that they are awarded relatively short-term licences (five years instead of twelve for their commercial counterparts) with no renewal or re-advertisement process provided for within the current legislation.

Demand for community radio licences

- 3.63 Demand for community radio licences is considerable. The first community radio licensing round was opened in early September 2004, with applications being invited from across the UK (apart from specific areas where the terms of the Community Radio Order 2004 prevents such services being licensed). After the closing deadline, in November 2004, Ofcom had received a total of 194 valid applications. After assessment against the statutory criteria, this resulted in 107 licences being awarded by the time the first licensing round was completed in May 2006. In the light of such strong demand, Ofcom began preparations to conduct a second round of licensing, this time on a region-by-region basis (so as to avoid long delays between the date at which applicants submit their applications and that at which the decision to award a licence is made), inviting expressions of interest from across the UK in March 2006. A total of 184 such expressions were received by the closing date in April 2006. Since that time, full applications have been invited from three of the seven regional groupings defined following an analysis of the expressions of interest received

Restricted Service Licences (RSLs)

- 3.64 Other types of radio licence may also be appropriate for community groups, for example restricted service licences (RSLs). Short term, one month, RSLs are issued for temporary non-commercial local radio stations with usually with a very localised coverage area such as an education campus, sports event or music or religious festival site. These licences are also used for temporary trials of community stations, sometimes to gauge interest before applying for a five year community licence. Long term RSLs are also available for a five year term. This type of licence is generally used to provide longer term services for special interest groups such as hospital patients or army personnel within barracks..

Ofcom's Future of Radio Review

- 3.65 On 22 November 2007 Ofcom published its statement on future regulation of the commercial and community radio sectors. Ofcom's approach simplifies regulation for the commercial radio sector, whilst safeguarding the interests of listeners. The statement considers fully all responses to 'The Future of Radio' consultation published in April 2007.

Commercial Radio: Local Content

3.66 Ofcom has decided to protect a minimum amount of local radio programming. Ofcom is not convinced by the argument that the market alone would provide this content without regulatory intervention. New research conducted by Ofcom found that listeners perceive radio to be the default medium for delivering key local information such as local traffic and travel, weather and news. Furthermore, listeners took the view that the quality of information would suffer if it was not made and delivered locally. Ofcom is therefore proposing that:

- All FM local radio stations should provide at least ten hours of locally-made programming each weekday (including breakfast) and at least four hours on Saturdays and Sundays.
- All AM local radio stations should provide at least four hours of locally-made programming during weekdays and weekend daytimes. At least ten hours of programmes during weekday daytimes should be produced within the nation where the station is based (i.e. if the minimum four hours is locally-made, a further six hours should be produced from elsewhere in that nation).

3.67 At the same time, Ofcom recognises the importance of increased flexibility for industry, and is therefore proposing that:

- smaller stations may be able to share a large proportion of this programming (outside breakfast) with other nearby stations;
- outside of locally-made programming requirements, stations may choose to broadcast network programming for a maximum of three hours a day during weekdays at day time and more at weekends.

3.68 Ofcom's revised proposals on local programming are subject to a further Consultation, which closed on 21 December 2007. Once the outcome of this Consultation has been published, Ofcom will update the current localness guidelines and contact each commercial radio licensee regarding these changes.

Simplifying Radio Content Regulation

3.69 Formats set out the type of programming that should be broadcast and form part of each station's licence. Ofcom will simplify Format regulation of analogue radio licences, to bring it in line with DAB (Digital Audio Broadcasting) Format regulation. This will remove unnecessarily detailed requirements from analogue radio Formats whilst maintaining diversity of radio services for listeners.

Simplifying Ownership Rules

3.70 Ofcom is recommending to Government a simplification of current ownership rules applying to radio, to allow for further consolidation within the industry, while protecting plurality within local commercial radio.

Radio's Digital Transition

- 3.71 Ofcom welcomed the announcement made by the Department for Culture Media and Sport in November 2007 to set up a Digital Radio Working Group. Ofcom will play a major role in this group which has been tasked to assess the conditions needed for digital platforms to become the predominant means of delivering radio in the UK.
- 3.72 In the meantime, Ofcom will re-award any commercial radio licences, which are due to expire, under existing statutory legislation for a five-year period or with an expiry date of 31 December 2015 (whichever constitutes a longer period).

Community Radio

- 3.73 Ofcom is recommending that Government should:
- Simplify the statutory criteria for community radio licences to allow Ofcom greater flexibility in considering licence applications; and
 - Allow community radio licences to be eligible for a five-year licence extension.
 - In addition, community radio stations will be allowed to recognise volunteer time as part of their income.

New Radio Technologies: Digital Radio Mondiale

- 3.74 One new broadcasting technology which is capable of using medium wave spectrum is DRM (Digital Radio Mondiale). It offers much improved sound quality over AM on medium wave, long wave or short wave spectrum and many international broadcasters are already taking up the technology. The technical characteristics of DRM coverage are similar to AM. It would be relatively easy to convert an AM transmitter to DRM. Coverage areas can be anything from a few kilometres radius to half a continent, depending on transmission power and frequency. Medium wave is generally considered to be a cost-effective way to offer terrestrial radio coverage to rural and remote areas – therefore DRM could be a complement to DAB, rather than an alternative.
- 3.75 One advantage of DRM over AM is that DRM can use single frequency networks (SFNs), which means that rather than using two high-power frequencies plus a number of filler frequencies to cover the whole UK, DRM signals on the same frequency at adjacent transmitters do not interfere with each other – in fact, they reinforce one another – so DRM could cover the whole UK with a single frequency. However, like AM, DRM on medium wave offers less good coverage in cities, particularly within steel-framed buildings. A single medium wave frequency can offer a single good sound-quality DRM service plus data, or two lower sound-quality services.
- 3.76 Other countries are either experimenting with or implementing DRM services. For example, RTE in Ireland is converting some of its main AM transmitters to broadcast DRM, and the Dutch regulator has recently given all Dutch AM stations the choice of converting to DRM under their existing licence if they so wish. China and Australia are among other countries

planning or already broadcasting DRM services. In the UK, the BBC is about to begin a year-long DRM trial, closing the AM transmitters of BBC Radio Devon in Plymouth and using them to broadcast DRM services instead.

- 3.77 Ofcom notes that the spectrum currently used for UK-wide AM radio services could instead be used to provide a greater number of DRM UK-wide stations plus a range of local or regional DRM services assuming the spectrum is used for radio broadcasting.
- 3.78 DRM could also provide a potential digital migration path for those stations which have no other obvious transition route to digital, such as small-scale commercial radio stations and community radio stations (subject to there being public policy justification for reserving spectrum for such services), and, again subject to public policy considerations, may also provide a means to provide digital radio services to remote areas where the technical characteristics of DAB mean that it may never be viable.
- 3.79 Other than AM radio and DRM, we are not currently aware of any other uses for medium wave spectrum. However, the advocacy for widespread use of power-line communications could be regarded as mutually exclusive with use for radiocommunications in certain frequencies, because of the unintended but significant radiation of radio waves from power line transmission (PLT) systems. To that extent, it is an alternative use of the frequencies.
- 3.80 DRM on medium wave (and long wave) generally occupies 9kHz of spectrum per channel, because this is the way that medium wave and long wave spectrum has been allocated in Europe by international agreement. It could operate as wider channels, which would give it more of the characteristics of a multiplex – i.e. a number of services could comfortably be accommodated within a single DRM channel. As it is, a 9 kHz DRM block is on the cusp of being a single service and a multiplex. It could offer one high quality audio service, with some data services attached, or it could offer two lower quality sound services, say for speech.
- 3.81 The problem in licensing terms is that current UK legislation is not designed to be able to deal easily with this hybrid (it is only recently that this technology has emerged). A single audio service (with no data) is licensed under the terms of the Broadcasting Act 1990, while a multiplex is licensed under the terms of the Broadcasting Act 1996. The award processes use different criteria and different licence conditions result. It would not be practicable to license a DRM service offering a single programme stream under the current legislation, although DRM could be licensed as a service offering two programme streams as a multiplex. This would severely restrict the licensee's (and Ofcom's) flexibility. The current legislation also does not allow for single-stream terrestrial radio services (UK-wide or local) to be licensed in circumstances where the spectrum to be used by those services has been acquired independently, or where the services are not to be regulated for public purposes. In other words, the current statutory framework does not allow for a terrestrial national or local radio service to be provided unless the licence to provide such a service (and the spectrum required to deliver the service) is advertised for this purpose and awarded by Ofcom. This means that, under current legislation, analogue radio

broadcasting services can be provided only using spectrum that has been specifically reserved (and planned) for the purpose by Ofcom.

3.82 By contrast, radio programme services provided on satellite platforms are currently able to be licensed (as radio licensable content services) without being specifically regulated for public purposes such as diversity or localness. Ofcom considers that a similar ability should apply to all platforms capable of providing radio services. Thus, Ofcom suggests that Government may wish to consider breaking the current link between broadcasting policy (as manifested in the licensing regime and subsequent regulatory intervention) and spectrum allocation, such that analogue radio services can be provided by those who acquire spectrum through means other than applying for a broadcasting licence advertised by Ofcom. There may still be public policy reasons (e.g. relating to the technology to be used, the coverage to be achieved, or the nature of the programme service to be provided) for continuing to allocate some spectrum in the way that it is currently allocated, but Ofcom suggests that the current statutory framework does not provide sufficient flexibility to allow for spectrum to be allocated for radio services in a less interventionist manner, where there are no public policy justifications for reserving spectrum for this purpose.

Local Radio News Provision in Wales

3.83 Around eight commercially based news providers currently serve the commercial radio industry in the UK including Independent Radio News (IRN) and Sky News radio. However, these agencies are mainly based in London and are generally not resourced to provide specifically Wales based news content. There is currently no Wales based commercial radio news agency and as most major areas of domestic government have been devolved to the National Assembly, many radio stations in Wales are looking at what provision can be made for pan-Wales news provision in the future. Currently the only option is to adapt or edit news material provided from the London based agencies.

Section 4

The Creative Industries

Independent television and radio producers

- 4.1 Following the creation of S4C in the early 80s, which required a significant Welsh language programme supply input beyond that provided by the BBC and HTV (ITV), the independent production sector grew significantly in Wales to meet this demand during the 80s and 90s.
- 4.2 In addition the requirement for English language programming for Wales both within BBC Wales and HTV (later ITV Wales) also increased significantly, providing new opportunities for independent producers in English.
- 4.3 Independent radio production has a smaller market within Wales but there are niche producers primarily providing speech and music programmes for BBC Radio Wales and Radio Cymru. Some producers also provide programmes for UK-wide BBC radio services.

Leading Independent Production Companies based in Wales

- 4.4 **Tinopolis** is one of the UK's largest independent media producers. The company works in television, animation and new media. The company, through its subsidiaries is responsible for around 2,500 hours of drama, factual, sports and children's programming produced each year for more than 200 broadcasters worldwide. Although based in Llanelli, through key acquisitions, Tinopolis also has production centres in London, Oxford, Glasgow, Cardiff and Leeds. Production companies owned by the Group include Mentorn, Sunset & Vine, Folio, Fiction Factory, Pop1, DEEM, Video Arts, and Daybreak Pictures. Tinopolis is one of Britain's leading new media companies, producing a range of interactive, training and education materials for clients including the BBC, Ministry of Defence and University for Industry.
- 4.5 The **Boomerang** group output covers entertainment, extreme sports, factual, musical and radio programming, producing over 350 hours of television and radio content for all the major UK terrestrial broadcasters. With the acquisition of two Wales based local production companies, Fflic and Alfresco, its production base has widened considerably to include children's programmes, lifestyle, comedy, drama and documentary. The Group has invested over £1m during the last four years on new post-production and studio facilities, together with a recent £1m Venture Capital investment. The Group has also received significant development support from both S4C in Wales (a £350k share of a £1m rolling two year contract) and Network development contracts from BBC and Channel 4, as well as qualifying for the European Union's MEDIA Slate Development programme. International co-production has expanded significantly, with series running on Ireland's RTE, Canada's History Television, ABC Australia and DR in Denmark. Distribution partners include Granada International, Extreme, S4CI and Parthenon. Boomerang's productions are supported by the

group's own facilities and post-production division. Situated within the company's Cardiff head quarters, the complex includes 2 studio areas and its post production facilities have recently been upgraded to accommodate high definition television.

- 4.6 Cardiff based independent production company, **Green Bay** was founded in 2001 by Phil George and John Geraint, who were both previously executives at BBC Wales. Green Bay produces award-winning history series (including one presented by the BBC's main newsreader, Huw Edwards); performance specials in classical and sacred music; observational series for ITV about leisure and work; definitive profiles of world leaders in architecture, business, ecology, science and theology; and arts films about key British and European figures. Green Bay also has a full slate of drama projects for cinema and television in development. In 2004, Wales's First Minister, Rt. Hon. Rhodri Morgan, officially opened Green Bay's new production centre, the Talbot Studios. In May 2005, Channel 4 and the WDA announced a six-figure investment to enable Green Bay to develop an expertise in cutting-edge science. In July 2005, S4C followed suit, awarding Green Bay a major factual development contract. In 2006, the National Entrepreneurship Observatory named Green Bay as one of its 'Fast Growth 50'.
- 4.7 **Indus Films** is a fast-growing independent production company specialising in high-quality adventure, arts, documentary and drama. Created in 2005 by former BBC executives, Paul Islwyn Thomas and Steve Robinson, and broadcast consultant Emyr Byron Hughes, Indus is currently in production and development on a range of projects for broadcasters in the UK and internationally. The company is committed to making bold, innovative, television. Current productions include: the recently broadcast Coal House series for BBC Wales which looked at how three modern families would cope with the living conditions of 1927 South Wales coalfield cottages; Ellen MacArthur and the Albatross, (BBC 4), charting record breaking sailor Ellen MacArthur's voyage to South Georgia in the Southern Ocean and Amazon (BBC 2 and the Discovery Channel) in which Bruce Parry (Tribe/Going Tribal) embarks on an epic journey down the Amazon and home to some of the last uncontacted tribes left on Earth.
- 4.8 **Presentable Productions**, co-founded by Chris and Megan Stuart, has since March 2006 been part of the fast-growing RDF Media Group plc. Based in Cardiff, Presentable, is one of the largest production companies in Wales, with a strong track record in network and regional television and radio. The company has developed a specialisation in television poker with Late Night Poker on Channel 4, and continues to make poker programming for a number of broadcasters. Entertainment is also a key production area and the company also makes music, comedy, arts and factual programming.
- 4.9 **Cwmni Da**. An Independent Television Production Company based in Caernarfon, north Wales established by former BBC Wales television director, Gwyn Williams. Cwmni Da is a major supplier of programmes for S4C and ITV Wales. Recent productions include the long running arts series Y Sioe Gelf, and the satirical animation series CNEX for S4C.

4.10 **Ffilmiau'r Nant.** Since 1982, Nant has produced programmes for S4C, BBC Wales, HTV, and co-produced with ITV Sport, TVE, RTP, RAI, Antenne 2 and various other European networks. The company was primarily founded to produce Welsh Language programmes for S4C and since its foundation, it has produced over 70 hours of programming annually – in drama, documentaries, sport and light entertainment. The Managing Director is Robin Evans, one of the company's original founders. Nant has produced Sgorio, S4C's longest running sports series (featuring European soccer highlights) since 1988 along with the youth drama series, Round a Round, also for S4C.

PACT and TAC

4.11 Back in the early 80s, Welsh independent producers established their own trade association, Teledwyr Annibynnol Cymru (TAC), to represent the sector in contractual and terms of trade negotiations, primarily with S4C but also with other broadcasters. TAC offers a range of services including industrial relations, specialist contracts, information services, business and legal advice. TAC also acts as a lobbying and representative body in discussions with broadcasters, development agencies, government departments and various other bodies. It currently has around 50 member companies, mainly based in Wales.

4.12 Although the majority of Wales based television producers belong to TAC, some companies in recent years have joined PACT, the UK trade association that represents the commercial interests of independent feature film, television, animation and interactive media companies across the UK. In December 2006 the two bodies had provisionally agreed terms for a merger. A joint TAC/PACT press release issued in December 2006 stated that:

“The decision to merge with Pact was not taken lightly but it was a unanimous one by the TAC Council. The decision reflects the evolving needs of companies in Wales as they grow and exploit new markets in this increasingly competitive and technology driven marketplace.

“We are also delighted to announce that the merger will provide a well-resourced bilingual office in Wales which will continue to represent its members in all dealings with broadcasters in Wales. The new Director for Wales, when appointed, will represent the interests of Welsh producers on Pact's Nations and Regions policy group (NRPG) meetings and on Pact Council.”

However, during 2007 negotiations broke down and the proposed merger did not go ahead. In November 2007, TAC announced the appointment Gwion Owain as the association's new Chief Executive.

Welsh Assembly Government Creative Hub

4.13 The 'Hub' is the new creative industries' support service created by the Welsh Assembly Government. Key elements of public investment have been put in place by the Welsh Assembly Government to encourage the growth of the creative industries in Wales. The Hub aims are:

- Increased and improved strategic investment in Wales-based creative businesses.
- A new strategic approach to providing business support for the creative industries.
- A new £7million Wales Creative IP fund, designed to secure work for Wales and its creative businesses.

4.14 Creative industries' support in Wales has been restructured and unified to create the 'Hub', or the new Wales Creative Industries' Support Service. With a 'Hub and spokes' structure, the 'Hub' provides co-ordinated support as illustrated in the following figure:



4.15 The 'Hub' is made up of professional advisors with a balance of skills and creative industries' experience who are available to work with and help develop creative businesses in Wales. The Hub is supported by an advisory panel of industry figures and the same team acts as expert advisors to the Welsh Assembly Government and its subsidiaries on all creative industries issues. The 'Hub' aims to help creative businesses in the following ways:

- secure investment from a range of sources or providers, including those available exclusively in Wales.
- support to encourage more business to be conducted with Wales-based creative businesses.
- help creative businesses to implement major projects.

4.16 The Welsh Music Foundation, Cultural Enterprise Services and Ffilm Wales represent the 'spokes' in the 'hub and spokes' structure and work under the direction of the 'Hub'. The aim is for the 'Hub' to become a central focus of future support for the creative industries in Wales.

- The Welsh Music Foundation is a focal point for the music sector in Wales.
- Cultural Enterprise Services provides a mentoring service for smaller creative businesses.
- Ffilm Wales promotes Wales' film industry and supports new film directors.

4.17 The 'hub' has also formed partnerships with agencies with whom it shares a common purpose, such as Skillset Cymru, the Creative and

Cultural Skills sector skills council, Finance Wales and Nesta to provide a true 'one-stop-shop' for training advice and information.

Wales Creative IP Fund

4.18 Operated by Finance Wales, the £7million Wales creative IP fund (sourced from the Welsh Assembly Government) acts as a 'gap financier', financing a production alongside finance that has already been secured from other funders.

4.19 Investments can range from £50,000 to £700,000 for any one production, although early-stage or development projects are not eligible. The Fund does not exist to make equity investments in companies, though such investment may be available through Finance Wales, the body that manages the IP Fund.

4.20 The 'hub' works closely with Finance Wales, advising Welsh creative businesses in relation to investment and funding.

Employment

4.21 The Skillset Census estimates that there are over 600 businesses operating within the audio visual sector in Wales, with a total turnover of £350m making it Wales' largest arts and cultural sub-sector. The latest Skillset Cymru Census recorded 6,600 people working in Wales. This accounts for 3% of the total UK audio visual workforce that responded to the survey.

- 35% of those working in Wales on census day in 2006 were working freelance.
- The largest sectors in Wales in terms of workforce are Independent Production, Television (terrestrial), Web and Internet.
- 9% of the respondents in Wales were female.
- 1.1% of the workforce in Wales are disabled.
- 2.3% of the workforce in Wales come from ethnic minorities.
- 28% of the workforce in Wales are Welsh speakers.

Broadcasters' Economic Impact

4.22 All three Welsh broadcasters have published reports assessing their impact on the Welsh economy although in the case of both BBC Wales and HTV/ITV Wales, these reports are now somewhat out of date.

S4C

4.23 In October 2007, The Economic Impact of S4C on the Welsh Economy 2002-2006 report, commissioned by the S4C Authority, was published. The report, produced by DTZ with the assistance of Cardiff University's Welsh Economy Research Unit claimed that S4C's activities generate more than 2,250 full time equivalent jobs in Wales, (the majority of which are in the high-skill, technology-intensive independent production sector), adding an equivalent value of £87 million to the Welsh economy in 2006. The report estimated that, as a commissioning broadcaster, over

80% of S4C's total spending in Wales is with the independent production sector and it also directly employs 177 full-time equivalent jobs.

4.24 The report's executive summary states that: *"Over the five-year period, the direct impact of S4C was to provide employment for over 175 full time equivalent employees (FTE) per annum. As a commissioning organisation, content provision absorbs the largest single expenditure. In the latest year, over £76 million was spent on the independent sector, of which around £72 million of which was spent in Wales. This activity, together with the headquarters activities in Llanishen and Caernarfon is estimated to have supported around 2,250 FTE jobs within the Welsh economy"*.

4.25 Total employment has in fact reduced at S4C over the last five years, but according to the report this reduction was partially offset by an increase in employment in the independent production sector.

4.26 A previous report, published in June 2001, estimated that S4C's impact on the Welsh economy in 1999 generated 1975 full time equivalent jobs and a disposable income of £33.2 million⁵².

BBC Wales

4.27 A report published by Glamorgan Business School in 2003⁵³ estimated that the £117 million spent by BBC Wales in 2002/3 generated an estimated further £45 million of spending in Wales, while the direct employment of 1299 people and the associated spending created or supported just over a further 1000 jobs in Wales, spread across all sectors of the economy. The report noted that between 1996/7 and 2002/3 annual BBC Wales spending increased by £46 million (or by over 65%).

4.28 BBC Wales added over £100 million to local (Welsh) spending in 2002/3 with direct wage costs of £44.5 million being supplemented by other local spending of nearly £56 million. These figures include labour intensive spending on production facilities and the substantial commissioning of programmes largely from independent producers in Wales. The proportions of the BBC Wales budget spend locally in 2002/3, at 86%, had increased substantially from a previous study conducted in 1996 when the proportion was 75%.

4.29 As with S4C, the Glamorgan Business School identified that, by comparison to the Welsh average, employment at BBC Wales is relatively highly skilled and high value added, consequently attracting salaries significantly above the Welsh average.

HTV (ITV Wales)

4.30 The Welsh Economy Research Unit had also been commissioned by HTV, in 2001, to assess the company's impact on the Welsh economy, in

⁵² Economy and Culture:S4C in Wales, Present and Political Impacts, prepared for S4C by the Welsh Economy Research Unit, Cardiff University and the University of Glamorgan, June 2001

⁵³ The Welsh Connection – the economic impact of BBC Wales, Professor Stephen Hill, Glamorgan Business School, University of Glamorgan, October 2003

terms of its corporate activities, the direct and indirect contribution resulting from its expenditure within the Welsh economy and its wider community impacts⁵⁴.

- 4.31 According to this report in 2001, HTV Wales generated an annual turnover of £57.2 million, employing 245 full time equivalent jobs. HTV's direct activities were estimated to support 670 full time equivalent jobs in Wales and around £12 million of disposable income within the Welsh economy.

Skills Training

- 4.32 Under Section 337 of the 2003 Communications Act Ofcom is required to ensure that its licensee companies and broadcasters employing more than 20 people make arrangements that Ofcom considers appropriate for the training of staff in relation to programme making for those licensed services. Training in television and radio is regulated on Ofcom's behalf by the Broadcast Training & Skills Regulator (BTSR) which began operating in September 2005.

- 4.33 The system in place is co-regulatory and BTSR works closely with broadcasters, trade associations and Skillset (the Sector Skills Council for the Audio Visual Industries) to ensure broadcasters provide relevant, inclusive and cost-effective training and development opportunities which enhance the provision of high quality services to audiences.

- 4.34 The Sector Skills Agreement (SSA) for the audio visual industries in Wales sets out how Skillset will fulfil its remit of ensuring that the sector can access the skills and people that it needs to achieve its full potential. The agreement demonstrates how Skillset Cymru and its industry and public sector partners will deliver specific actions to meet priority needs that will in turn drive improved business performance throughout Wales. The SSA for Wales is designed to be used in conjunction with Skillset's Sector Skills Agreements in England and Scotland to provide a co-ordinated UK-wide response to industry needs.

- 4.35 2006 was the first full year of the BTSR's work in promoting, encouraging and evaluating training within the broadcast industry. It saw the publication of the first Annual Report which collected and analysed data on the training activities of the Broadcast industry during 2005. The approach used in the report was an inherited one and, while collecting evidence of a significant amount and range of development activity, the emphasis was on inputs and activity rather than impacts and outputs. The new approach for 2006 was designed to move away from gathering raw data on the volume and financial investment in training and towards broadcasters' self appraisal of the impact training and development activity has on the performance of their businesses. This self evaluation system was developed throughout 2006 in collaboration with the industry. The questionnaire was drafted with industry representatives, followed by a period of consultation, and workshops were held to ensure that the industry was aware of the purpose and process of the new approach. It has the support of the industry and

⁵⁴ *An Economic Assessment of HTV Wales*, the Welsh Economy Research Unit – Dr Jane Bryan/Dr Max Munday, Cardiff Business School.

over time, the information gathered will enable the BTSR to track training and development activities and judge whether they are meeting identified needs as well as contributing to the sustainability of the industry as a whole.

- 4.36 In other areas, the BTSR worked with Ofcom and Skillset to agree the model for the funding for training of the freelance community. It also began working with UK Skills to develop a model for a sector-specific National Training Award (NTA), within the overall NTA programme. It is hoped this will raise the profile of training within the industry as well as the profile of the broadcast industry in the training world and reward excellence in broadcasting. As with any fledgling organisation, 2006 saw the continued establishment of internal governance processes with the development of a risk register and mapping out of future board rotation. In 2007, the BTSR will be consolidating what it does and working with its partners to take a more pro-active role in addressing gaps identified by the new self evaluation process and promoting excellence throughout the industry.
- 4.37 More widely, Skillset Cymru and the Creative and Cultural Skills sector skills council are collaborating with the Welsh Assembly Government to satisfy the skills needs of the creative industries in Wales. The Welsh Assembly Government's strategy '*Creative success - a strategy of the creative industries in Wales*' claims that creative businesses need targeted help with training and skills development, to address issues such as, providing training programmes that are responsive to creative businesses' needs, including those for freelancers and new entrants; developing a multi-skilled workforce and providing careers advice for those thinking of entering the creative industries.
- 4.38 Sector skills councils are UK-wide employer-led bodies responsible for identifying and addressing the skills needs of particular sectors. Skillset and the Creative and Cultural Skills sector skills council together represent the UK's creative industries.
- 4.39 Skillset Cymru, aims to achieve to address training needs in Wales through its recently launched sector skills agreement. It has also recently approved a new film screen academy for Wales.

Section 5

The Broadband and Telecommunications Infrastructure in Wales

- 5.1 Internet delivered via broadband can be regarded as an alternative digital broadcasting platform, capable of carrying streamed audio and video content, including broadcast television and video on demand services. However, access at sufficient data speeds to carry near standard definition television is limited in practice to premises situated around 2km or nearer to an exchange (in the case of DSL broadband). Virgin media operates a cable network in Wales but access to this network is only available in the urban areas of south east Wales, Cardiff, Newport, Swansea and parts of the vale of Glamorgan.
- 5.2 Internet delivered programming is currently provided by the BBC, via its iPlayer and Channel 4 (via 4OD) and through the use of Windows Media Player/proprietary software from S4C and ITV Local Wales on their web sites. (BBC and Channel 4 have announced plans to merge their on line television on demand services during 2008). In addition, BT has launched BT Vision, a video on demand service, delivered via broadband and Inuk Networks, based near Newport, provide the broadband based 'Freewire' Internet television service to a number of university campuses across the UK.

Fixed line Access

- 5.3 In 2004, BT announced that the roll-out of its £10bn UK 21st Century (21CN) next-generation network would start in South Wales. This investment is essentially in the core networks operated by BT that eventually feed local exchanges. As such it does not directly impact on the future upgrading of lines from the exchanges to premises and end users (known as the access network or 'last mile'). Currently significant problems still remain in some isolated communities in Wales, for example where, historically, limited line connections (via line concentrators) have been installed to compensate for infrastructure limitations. Such communities may have grown in size but the number of simultaneous calls that can be made remains limited and provision of Digital Subscriber Line DSL broadband⁵⁵ is not possible.
- 5.4 On 28 November 2006, BT customers in the village of Wick in South Wales became the first in the UK to be migrated to the 21CN network, in what will be a five-year, 20 million line, UK-wide migration programme. BT originally stated that it would aim to migrate 350,000 domestic lines in South Wales to the new core IP-based network by the end of summer 2007, but following software problems at Wick, relating to the migration of legacy telephone systems from the old PSTN network, the roll out schedule has been delayed. In all, 1.23 million customer lines will

⁵⁵ This is technology such as Asymmetric Digital Subscriber Line (ADSL) which allows a broadband service to be delivered along an ordinary telephone along with speech.

eventually be migrated in Wales (4.8% of the total lines in the UK), involving a capital investment of £460m.

5.5 BT estimates that it has already laid more than 2,300 kilometres of fibre optic cable in South Wales as part of the upgrade process. 21CN is capable of delivering high-bandwidth services to the exchanges that can be accessed by households and businesses in Wales. In the future, ADSL2+ technology will offer maximum download rates of up to 24Mbit/s for premises located within 2 km of an exchange. BT launched a Cardiff based trial of ADSL2+ towards the end of 2006. Working with BBC Wales, BT demonstrated the transmission of high-definition television pictures over the new network using, as an example, the Wales-produced BBC Drama, Torchwood.

Broadband

5.6 DSL broadband can now be provided at most exchanges in Wales, providing broadband services to users based up to 5km from the exchange. (Generally the service level reduces the further a customer is from an exchange). According to Ofcom research, commissioned in 2006, 16% of premises in Wales are situated further than 5 km from an exchange (compared to the UK average of 13%, while 19% of premises in Wales are within 2km of an exchange (allowing users to take advantage in the future of significantly higher broadband speeds) compared with a UK average of 17%.

5.7 Significant progress was made during 2006 towards ensuring DSL broadband is available to all Welsh homes, thanks to the EU-approved Regional Innovative Broadband Support Scheme (RIBS). Following the Welsh Assembly Government's announcement in March 2006 that BT had been awarded the contract to upgrade a final tranche of 35 exchanges in Wales, 33 of these exchanges were broadband-enabled by October, extending broadband access to a further 9,259 premises. All exchanges upgraded under the RIBS scheme will deliver ADSL Max services, offering bandwidths up to 8 Mbit/s with the result that 433 exchanges in Wales are now capable of supporting ADSL Max. The enabled exchanges will also be able to support future upgrade programmes, for example to ADSL2+, when these are rolled out.

5.8 The RIBS project (now known as RIBS 2) has now shifted its focus to addressing 'not-spot' areas in Wales which, due to localised technical issues such as the presence of line concentrators or aluminium rather than copper cable, are not able to receive ADSL services, or can only access broadband services at very low bandwidths. People in Wales who are unable to receive a broadband service are encouraged to register their details using the Broadband Wales Observatory (BBWO) not-spot form at www.bbwo.org.uk/not-spots or www.abec.org.uk/manaugwael.

Local Loop Unbundling (LLU)

5.9 Local Loop Unbundling (LLU) is the process by which an alternative operator can take over the BT line connecting an exchange to a residential property or business premises. The operator places its own equipment in the exchange and connects it to the trunk network, thereby

enabling a third party to provide services such as DSL broadband to end users. However, operators do not have to use LLU to provide services; wholesale products such as IP stream also provide a way in which third parties can compete with BT in the provision of, for example, DSL broadband services. However, due to the level investment involved, LLU is only likely to develop in exchanges that serve significant populations.

- 5.10 By November 2006, 48% of premises in Wales had lines connected to LLU exchanges (or were in areas where it is possible to access cable services) and this figure increased significantly to 62.5% of premises by November 2007 (compared to a UK average of around 70%). Most of the remaining exchanges that have not been unbundled are in more rural locations in Wales which serve far smaller numbers of premises. Due to the economics of LLU provision further roll out to these exchanges appears to be unlikely.

SDSL

- 5.11 BT has halted its Symmetrical Digital Subscriber Line (SDSL) roll-out in Wales and there has been no change in the availability of this service since November 2005. Given recent developments in DSL technology, further SDSL roll-out is not likely. SDSL has been marketed primarily as a business technology and the high cost of this service and its products reflect its superior features. The roll-out of ADSL2+ services, offering even greater bandwidths, could further reduce the demand for SDSL. Bulldog's current ADSL2+ business service allows download rates of up to 16Mbit/s and upload rates of 1Mbit/s. However, quality of service is often more critical for business applications than upload/download speeds alone and so these high contention⁵⁶ services may not be ideal for many businesses. For businesses situated outside SDSL areas that require high quality of service levels and low contention, an expensive 1:1 leased line is often the only alternative. Historically, in Wales, leased lines have always been a particularly unattractive option in rural areas. Due to their remote locations, rural businesses often face far higher tariffs than those in inner-city or urban locations. The relatively competitive costs of these services compared to SDSL provides further evidence that low SDSL availability is not a major issue for Welsh businesses.

FibreSpeed

- 5.12 FibreSpeed - Open Access Networks for Wales is a key initiative within the Welsh Assembly Government's Broadband Wales Strategy 2005-2007. As well as addressing the objective of providing affordable 'fibre speed' broadband connectivity (a minimum of 10Mbit/s symmetric broadband service with multi-Gbit/s capability, and greater as technology develops in the future) to business parks/locations in Wales, it will also meet the objective of ensuring that Wales has extensive access to a competitive wholesale infrastructure. The network will be 'open access', comprising local access networks along with a backbone network

⁵⁶ Contention ratio is a measure of the maximum number of users who simultaneously share a DSL broadband connection between their local exchange and the main internet gateway. If multiple users are attempting to download data at the same time, their effective download speed can be adversely affected.

interconnecting these locations to other telecoms networks and points of presence distributed across the network. A range of wholesale products and services will be made available to service providers on an open and equal basis. The project will initially deliver connectivity to 14 business parks in north Wales. Subsequent phases are being developed to cover other parts of Wales, with an estimated 50 strategic sites in total throughout Wales. However, in the future, FibreSpeed has the potential to support other public sector broadband initiatives.

WiFi Hotspots

5.13 WiFi 'hotspots' provide convenient mobile broadband access for both business and personal use. However, in Wales hotspots often duplicate broadband coverage in urban areas that are already well served, for example via DSL. Because WiFi hotspots are rare in rural areas, they are not generally considered as a practical way of extending broadband coverage. In December 2006 there were 539 WiFi hotspots operated by BT Openzone and its partner providers in Wales, out of a total of 9,833 in the UK. BT Openzone and partner networks provide 95% of all UK hotspots. The number of WiFi hotspots in Wales decreased marginally between July and December 2006. This decrease may signify saturation in the high density conurbations and it is possible that under-utilised hotspots have been closed down.

Mobile Phone Availability in Wales

5.14 Across the whole of the UK in Q1 2007 almost all people (99.8%) lived in a postcode district with at least 95% 2G mobile area coverage from one or more mobile networks, while 82% lived in a postcode district with coverage from all four 2G networks. The graph below shows that 2G mobile population coverage by at least one operator in Wales was similar to the UK average. Comparing 2G availability in Wales with the other UK nations, population coverage by at least one operator in Wales (99.9%) was similar to that in England (100.0%) and Northern Ireland (99.6%) and slightly higher than in Scotland (98.0%). Similarly, population coverage by all four networks (57%) was marginally higher than in Northern Ireland (56%) but lower than in England (86%) and Scotland (61%).

Mobile phone coverage by Nation

Per cent of population



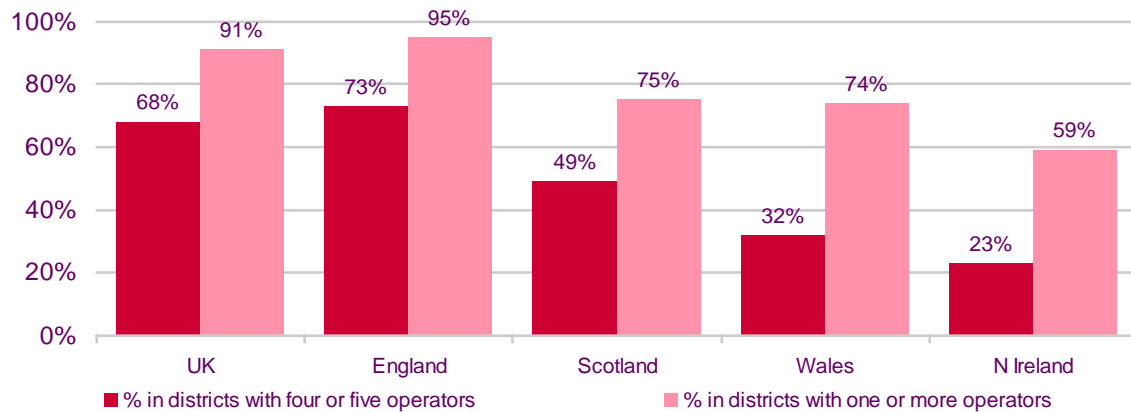
Source: GSM Association / Europa Technologies; Q1 2007

Note: Figures show the percentage of population within postal districts where at least one operator or four 2G operators have at least 95% area coverage.

3G mobile

5.15 Population coverage at a 50% postcode area threshold for 3G services stood at 91% coverage from one or more mobile networks and 68% lived in a postcode district with the same 3G area coverage from four or five 3G networks. 3G coverage from at least one network in Wales (74%) was similar to that in Scotland (75%) but lower than the UK average and that in England (95%). Thirty-two per cent of people living in Wales lived in an area with at least 50% 3G coverage by four or five mobile networks, again higher than in Northern Ireland (23%) but lower than in England (73%) and Scotland (49%).

3G mobile phone population coverage, by nation



Source: GSM Association / Europa Technologies; Q1 2007

Note: Figures show the percentage of population within postal districts where at least one operator and four or five 3G operators have at least 50% area coverage.

Press and Online Media

Wales' Daily, Evening and Weekly Papers

- 6.1 It could be argued that Wales does not have a national daily morning paper, but rather two regional titles, The Western Mail (primarily serving south Wales) and the Daily Post⁵⁷ (catering for readers in the north) which are both owned by Trinity Mirror. The Western Mail does claim to be the national newspaper for Wales but only has limited penetration in north Wales despite being sold across the whole of the country. Both papers have suffered declining circulations in recent years, of around 40% since 1979, but paradoxically profits have increased because around 80% of profits come from advertising and not sales. This possibly reflects the comparative lack of competition for advertising spend in Wales.
- 6.2 Trinity's newspaper operations in Wales remain very profitable – in 2004 the Western Mail and Echo group (owned by Trinity) made nearly £20 million, with a margin of 35.5%. Nevertheless, the Group has cut staff and resources, blaming difficult economic conditions. Between 2002 - 2004 the number of employees at Trinity Mirror fell by 23% prompting concerns about the threat to serious journalism in the Welsh regional and local press⁵⁸.
- 6.3 Although internet use and penetration is growing in Wales, it does not seem so far to have impacted significantly on press advertising. For example, most of the public bodies based in Wales, including the National Assembly and Welsh Assembly Government, make extensive use of the Thursday edition of the Western Mail to advertise job vacancies, which represents a very important income stream for Trinity Mirror.
- 6.4 In addition, Wales has four daily evening papers, serving more geographically identifiable and narrower regional communities, the South Wales Echo, (Cardiff), the South Wales Argus (Newport), the South Wales Evening Post (Swansea) and the Wrexham Evening Leader. In addition, Wales has a significant number of weekly papers and free-sheets which are widely read although the latter tend to be 'skim read' compared with purchased newspapers.

⁵⁷ Until 2003, the Daily Post was simply the Welsh edition of the Liverpool Daily Post.

⁵⁸ Regional and Local Media in Wales, James Thomas, Cardiff School of Journalism, 2006

Newspaper	Circ (Oct 99)⁵⁹	Circ (June 07)	Publisher
<u>Daily Morning</u>			
Western Mail	57035	38977	Trinity Mirror
Daily Post	46233	37395	Trinity Mirror
<u>Daily Evening</u>			
South Wales Echo	73129	49032	Trinity Mirror
South Wales Evening Post	67185	53680	South West Wales Publications Ltd.
South Wales Argus	30936	28608	Newsquest (Wales & Western) Ltd
Wrexham Evening Leader	30068	22464	North Wales Newspapers Ltd.
<u>Sunday</u>			
Wales on Sunday	64575	42084	Trinity Mirror
<u>Weeklies</u>			
Abergavenny Free Press		1516	Western Mail and Echo Ltd.
Celtic Newspapers Group	85216	93746	Western Mail and Echo Ltd.
Barry and District News	7278	6641	Newsquest (Wales & Western) Ltd
Penarth Times	5715	6223	Newsquest (Wales & Western) Ltd
Monmouthshire Free Press	7920	1470	Newsquest (Wales & Western) Ltd
Western Telegraph	27183	26017	Newsquest (Wales & Western) Ltd
Llanelli Star	18392	16217	South West Wales Publications Ltd.
Cambrian News		24800	Tindle Newspapers
Carmarthen Journal	22245	21577	South West Wales Publications Ltd.
Cardigan and Tivy-side Advertiser	8466	8318	Newsquest (Wales & Western) Ltd
Chepstow Free			Newsquest (Wales

⁵⁹ 'Not By Bread Alone', Geraint Talfan Davies, Wales Media Forum, quoting ABC Circulation Figures.

Press		4839	& Western) Ltd
County Times and Express	17442	18035	North Wales Newspapers Ltd.
North Wales Weekly News	22959	17817	Trinity Mirror
Caernarfon and Denbigh Herald	15465	14180	Trinity Mirror
Cynon Valley Leader		10818	Trinity Mirror
Gwent Gazette		12268	Trinity Mirror
Glamorgan Gazette		22388	Trinity Mirror
Holyhead and Anglesey Mail	11612	11088	Trinity Mirror
Denbighshire Free Press	6168	7246	North Wales Newspapers Ltd.
Abergele and St Asaph Visitor	4590	3570	Trinity Mirror
Rhondda Leader		13342	Newsquest (Wales & Western) Ltd
Milford and West Wales Mercury		5749	Newsquest (Wales & Western) Ltd
Merthyr Express Series		17945	Newsquest (Wales & Western) Ltd
Pontypool Free Press		4025	Newsquest (Wales & Western) Ltd
Pontypridd and Llantrisant Observer Group		25512	Trinity Mirror
South Wales Guardian		8850	Newsquest (Wales & Western) Ltd
Neath and Port Talbot Guardian Series		4815	Trinity Mirror
Yr Herald	1862	1300 (26 Feb 2005) ⁶⁰	(no longer printed)
Y Cymro	4355	4000 (as at 2006) ⁶¹	Tindle Newspapers
Golwg		4500 ⁶²	Golwg Cyf

Newspaper Groups serving Wales

6.5 Press ownership in Wales is concentrated within large media corporations whose major commercial interests are outside Wales. Trinity is the

⁶⁰ Final edition of the paper published on 26 February 2006. It was the only Welsh language local paper produced in Wales.

⁶¹ Quoted in Mercator Media Monograph: *'The Welsh Language Media in Wales'*, Rhodri ap Dyfrig, Elin Haf Gruffydd Jones and George Jones, Aberystwyth University. 2006

⁶² Golwg is published with support from the Welsh Books Council.

largest and dominant group in Wales, accounting for 42% of total circulation⁶³. During 2007 the group launched the Media Wales brand.

Main Newspaper Groups: Wales

<u>Group Name</u>	<u>Total Titles</u>	<u>Total UK Circulation</u>
Trinity Mirror plc:	185	11,240,788
Western Mail and Echo Ltd. Daily Post		
Newsquest Media Group	215	9,688,431
Associated Newspapers Ltd.	13	9,058,870
Metro South Wales		
Chester Chronicle & Associated Newspapers Ltd		
Northcliffe Media Ltd:	135	7,905,527
South West Wales Publications Ltd.		
Tindle Newspapers	61	1,287,760
Cambrian News Radio Ceredigion		
North Wales Newspapers Ltd.	12	407,217
NWN Media Ltd.		
Glamorgan GEM	7	30,288
Gem Series (covering Barry, Rhoose, St Athan, Llantwit Major, Cowbridge, Bridgend, Porthcawl).		

⁶³ Source: NUJ Website

London-based papers read in Wales

6.6 It has been estimated that around 85% of the daily morning papers bought in Wales are produced in London. However, it is very difficult to obtain circulation figures for UK titles specifically for Wales. The main circulation bureau, ABC, only provides figures for England and Wales combined.

6.7 There is an absence of a strong agenda setting press in Wales that can act as a 'debating chamber' for Welsh issues. This has become particularly evident post devolution, where there is a sense in which, for example, news about Welsh policy areas is not reaching the electorate⁶⁴. London based titles give very little if any coverage to Welsh news and current affairs. For example the list of press passes issued to journalists based at the National Assembly is very revealing⁶⁵: BBC: 70, ITV: 30, Western Mail: 5, South Wales Echo: 1, Golwg (Welsh language weekly magazine): 1, Daily Post: 1, Press Association: 5, Other/freelance: 10. It is significant that no journalists working directly for the UK daily papers are based at the Assembly.

UK Newspaper Circulations: Wales

Source: ABC

Newspaper	Circulation (UK) ⁶⁶	Sales in Wales ⁶⁷ (2004)
The Sun	3,213,756	180,000 ⁶⁸
Daily Mail	2,365,499	Refused to give figure
Daily Mirror	1,584,742	94,000
Daily Express	814,912	Refused to give figure
Daily Telegraph	890,973	Refused to give figure
Daily Star	803,726	60,000
The Times	654,482	46,000
Financial Times	441,219	5,000
The Guardian	367,546	36,850

⁶⁴ Focus groups in Scotland, England and Wales have expressed a fear of an emerging news hole: *New News, Old News*, Ian Hargreaves, James Thomas, ITC/BSC research publication 2002.

⁶⁵ Source: National Assembly information service. Note, some passes have been issued to broadcaster administrative staff as well as journalists as at October 2007.

⁶⁶ Source: ABC, quoted in Media Guardian, 15 October 2007.

⁶⁷ Source: FBA, based on figures supplied direct from the individual publications.

⁶⁸ Figure for Wales and the West of England combined

The Independent	251,470	20,800
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Free-sheet papers in Wales

6.8 Free-sheets are widely read in Wales although there is some evidence to suggest these titles tend to be 'skim read' compared with purchased newspapers.

Free-sheet Newspapers Published in Wales

<u>Newspaper</u>	<u>Circulation</u>	<u>Publisher</u>
Metro South Wales	25836	Associated Newspapers Ltd
Bangor and Anglesey Mail	9927	Chester Chronicle & Associated Newspapers Ltd
Campaign Blackwood, Risca and Newbridge	13230	Newsquest (Wales & Western) Ltd
Campaign Caerphilly, Ystrad Mynach and Bargoed	26801	Newsquest (Wales & Western) Ltd
Campaign Tredegar, Aberbeeg, Brynmawr, Ebbw Vale, Rassau	9868	Newsquest (Wales & Western) Ltd
Campaign Pontypridd, Porth Mountain Ash and Llantrisant	22289	Newsquest (Wales & Western) Ltd
Flintshire Standard	31424	NWN Media Ltd.
Glamorgan Gem Series (covering Barry, Rhoose, St Athan, Llantwit Major, Cowbridge, Bridgend, Porthcawl).	30288	Glamorgan GEM Ltd
North Wales Chronicle (covering Bangor, Bethesda, Tal Y Bont, Penrhos, Garnedd, Caernarfon, Holyhead, Amlwch, Llangefni, Llanfair P.G., Menai Bridge, Beaumaris, Porth Madoc, Pen Y Groes.)	36182	NWN Media Ltd.
North Wales Pioneer Series (covering Llandudno, Colwyn Bay, Rhos on Sea, Penrhyn		

Bay, Conwy, Old Colwyn, Mochdre, Llandudno Junction, Deganwy, Glan Conwy, Llanrwst, Llanfairfechan.)	31657	NWN Media Ltd.
Rhyl/Prestatyn Visitor (covering Rhyl, Rhuddlan, Dyserth, Prestatyn, Meliden, Walford, Bron Deg, Parc Gwelfor, Tower Gardens, Glan y Gors, Fforddisa, Salisbury, Llandaff, Bishopswood, Linden, Fforfflas, Woodlands Park, Aberconway, Bryntirion, Bodnant Park, Nant Hall.)	23367	Chester Chronicle & Associated Newspapers Ltd
Swansea Herald	67031	South West Wales Publications Ltd. Western Mail and Echo Ltd.
The Barry Post	22155	Western Mail and Echo Ltd.
The Bridgend Post	10030	Western Mail and Echo Ltd.
The Cardiff Post	73788	Western Mail and Echo Ltd.
The Rhyl, Prestatyn and Abergele Journal.	30613	NWN Media Ltd.
Vale Advertiser (covering Denbigh, Henllan, Trefnant, Ruthin, Maes Hafod, Castle Park, Lenten Pool, Mytton Park, Erw Salusbury/Tre Wen, Maes y Goron, Trefnant, Middleton Park, Colomendy, The Green, Trefnant - Clwydian Park.)	7697	Chester Chronicle & Associated Newspapers Ltd
Weekly Argus (covering Newport, Caerleon, Cwmbran.)	34841	Newsquest (Wales & Western) Ltd
Wrexham Mail (covering rexham, Gresford, Marford, Llay, Burton, Rossett, Hope, Caergwrle, Llangollen, Ruabon, Trevor, Chirk, Weston Rhyn, Gobowen, St Martins, Goulbourne, Gwersylit, Brymbo,		

Cymau, Burton Rossett,
Acton, Hightown, Offa-
Hightown, Rhosnesni,
Holt, Rhos, Johnstown,
Penycae, Afon Eitha,
Rhostyllen, Halton, Maes
Mawr, Cefn-Mawr, Chirk
Bank.)

36649

Chester Chronicle &
Associated Newspapers
Ltd

Online media

- 6.9 The broadcasters in Wales, particularly the BBC, have extensive resources available online. The BBC Wales news web pages are updated every few hours as are the Welsh language news and information pages, Cymru'r Byd. According to the BBC, user numbers for both web sites continue to grow rapidly, by 24% for the English services and by 8% for the Welsh language services (during 2006/7)⁶⁹ The Audience approval rates in Wales were high for aspects of the services such as appearance, ease of use, quality and trust⁷⁰.
- 6.10 BBC Wales also uses online new media to provide additional material to support its radio and television programmes. Examples include Me & My Health, a website providing archive and information on demand and Scrum V, an interactive rugby web site. The BBC provides extended coverage of the Eisteddfodau in Wales during the summer on dedicated web sites, which include over 10,000 hours of video and audio content and it has also launched a site for the National Orchestra of Wales. The BBC's 'Where I live' sites provide regional news coverage for areas within Wales.
- 6.11 ITV Local Wales was launched during summer 2007. The site provides streamed video versions of recent news bulletins including the latest Wales Tonight bulletin. It also contains a number of news and feature items along with classified advertising aimed at businesses and consumers in Wales.
- 6.12 S4C's web site provides comprehensive schedules for its digital and analogue services and also carries live streaming of S4C Digidol (although rights restrictions apply to web users based outside the UK). The site also acts as a portal to access content provided by independent producers and provides the opportunity to view programmes and services previously broadcast by the channel.
- 6.13 Trinity Mirror/Media Wales provides a number of Wales based news and information web sites including IC Wales, IC North Wales and dedicated classified advertisements sites such as jobswales.co.uk. The commercial radio stations in Wales have web sites which include listings, online live audio streaming and access to the stations public/localness files.

⁶⁹ BBC Wales Annual Review 2006/7, p42. BBC Wales English language web site users figures increased from 782,000 to 960,000 hits during 2006/7, with an increase from 35,000 hits to 37,000 hits for the Cymru'r Byd site over the same period.

⁷⁰ BBC Wales Annual Review 2006/7.

Section 7

Welsh Language Media Provision

Welsh language statistics

- 7.1 According to the 2001 Census, the total number of Welsh speakers living in Wales was 582,368, an increase of around 80,000 since 1991. The Census indicated significant growth in younger age groups: 37.7% of children between 3 and 15 years old in Wales can speak the language, an increase of 13.4 percentage points.
- 7.2 Analysis of the percentages of people able to speak Welsh in different age groups shows increasing fluency with age among children young people. 36.4% of 5-9 year olds, 43.7% of 10-14 year olds and 42.8% of 15 year olds are able to speak the language, (higher than for any other age group). However, only 14.7% of 40-49 year olds can speak the language. The increased fluency in younger age groups is due in large part to the Welsh education system. However the increase in speakers among younger people has been evident for some time and does not appear to have carried through into older age groups. This could suggest that for some the grasp of the language gained in school is not maintained in later life.
- 7.3 The number of Welsh speakers outside Wales is not precisely known although it has been estimated that there may be between 150,000 and 450,000 in England and approximately 1,000 in Patagonia, Argentina⁷¹.

Welsh language papers and magazines

- 7.4 Considering the comparatively strong tradition of literacy in the Welsh language, as compared with other languages in similar social positions, it is perhaps surprising that there is not at present a particularly robust press at national level. There is to date, for example, no daily newspaper in the language, although a project with wide popular support has in recent years been undertaken to establish one under the title Y Byd (the World) which is due to be launched in March 2008. However, a recent report written by Dr Tony Bianchi and commissioned by the Welsh Language Board at the request of Heritage Minister Rhodri Glyn Thomas into the Welsh-language printed media has concluded there is no concrete evidence that a new daily newspaper would find an audience. The report claimed that Y Byd would need grant aid in the first year of between £600,000 and £1m and would depend on significant Assembly advertising.
- 7.5 There are a number of weekly and monthly Welsh-language papers and magazines, such as Golwg, Y Cymro and Barn. A number of more specialized Welsh-language magazines are sponsored by Cyngor Llyfrau

⁷¹ Mercator Media Monographs, The Welsh Language in the Media, Rhodri ap Dyfrig, Elin Haf Gruffydd Jones and George Jones, 2006.

Cymru (The Welsh Books Council). On a local level, there are some 57 papurau bro (i.e. community newspapers with a strong local focus) with a substantial popular following. The total number of people reading these far exceeds the number of readers of the national Welsh-language press.

7.6 Cyngor Llyfrau Cymru, which is funded by the Welsh Assembly Government, is the body responsible for the promotion of book-publishing in Wales in the Welsh and English languages. Text books for schools are subsidised by the Qualifications and Curriculum Group of the Department of Education, Lifelong Learning and Skills of the National Assembly for Wales, the Welsh Joint Education Committee, an educational services organisation belonging to the local authorities. In total, some 600-650 books per year are published in Welsh, the great majority with grant aid.

7.7 The most important online medium in Welsh is BBC Cymru'r Byd which was launched in 2000 and offers a range of news, sport, features, live and on-demand streamed video and audio. S4C's website also offers opportunities to see some of its television programmes through broadband.

7.8 Film in the Welsh language has a lengthy history stretching back to 1935 when the first talking picture appeared in the language, only eight years after the first ever talking picture. Since then more than a hundred films have been produced in Welsh.

Appendix 1

ITV Wales 2006/7 Statement of Programme Policy and Review of 2006.

ITV Wales Statement of Programme Policy 2007

Introduction

ITV Wales is looking forward to an important, exciting and challenging year. Two major events will underpin our service in 2007. We will provide comprehensive coverage of the National Assembly election campaign in April and May and a five-hour results service on election night. Our aim is to provide populist political programming which will engage the viewer and voter. The election coverage and our news and current affairs offering during 2007 will be the core of the plurality of broadcasting provided by ITV Wales in the new democracy of the nation. In the autumn, the Rugby World Cup will see ITV Wales broadcasting exclusive coverage in the English language of the progress of the Welsh team in the tournament. Rugby will also be the main theme of much of our programming during the seven weeks of the tournament. This rugby coverage not only provides a service to the viewer but is commercially attractive as the last World Cup saw ITV Wales gain an audience in excess of 80% for the Welsh games. It's important for ITV Wales to provide an alternative public service to the publicly funded broadcasters in Wales. The ambition of our news and programme offering will be to provide a quality informative service as well as being populist and commercially successful.

Our news service will build on the success of the new digital newsroom which opened in 2006 and the advent of a satellite truck in North Wales, which means we can cover "live" stories from all parts of the nation. ITV Wales will also continue to develop the Culverhouse Cross site as a media centre for Wales. The relationship with S4C remains important. We have provided the channel with some of its most successful and long-running programming since its conception, nearly twenty-five years ago. In 2007, we aim to continue supplying quality current affairs programmes, the CEFN GWLAD series, other programming and build on our relationship. In 2006 the success of our digital news re-launch and the programme service for ITV Wales and S4C was due to the efforts and talents of our staff, independents and our special relationship with our advertisers and other partners. We are only two years away from digital switchover in Wales. Already over 80% of the Welsh viewers receive multi-channel television. In this time of great change it is important that we meet the challenge of an alternative broadcast service for the English viewers in Wales.

Elis Owen
MD and Controller of Programmes, ITV Wales

Overall Strategy

ITV Wales will provide a national service for Wales through its news, current affairs and other programming, while at the same time maximising the audience rating in what is a very competitive multi-channel environment. Two major events will underpin the programme service in 2007 – the National Assembly Elections and the Rugby World Cup. There will be extensive coverage of the Election campaign with a comprehensive results service on election night. This will ensure plurality of voice in broadcasting in Wales. In the autumn, there will be exclusive coverage on news and other programmes of the Rugby World Cup, following the progress of the Welsh National team. ITV Wales is well aware of the changing social and cultural diversity

of Wales in the 21st century and the nation is changing economically since the advent of a Welsh Assembly. Our service will portray this with innovative programming and new stories. News will be the cornerstone of the programme service, daily reflecting the major stories and issues of the nation in our flagship programme at 18.00 on weekdays and other bulletins throughout the day and weekends. There will be significant input from our current affairs team and other programming. The programmes will be aimed at the widest possible audience and mostly scheduled in peak or near-peak slots. We will continue to transmit current affairs in peak throughout the year, displacing the network "Tonight with Trevor Macdonald" series. ITV Wales will transmit a major film drama, with the BAFTA award winning, LITTLE WHITE LIES. We will continue to foster up-and-coming talent through our drama project, IT'S MY SHOUT. 2007 will see ITV Wales continuing its relationship with S4C through Y BYD AR BEDWAR, HACIO, CEFN GWLAD and other programming.

Significant Change

Some significant changes were introduced into the delivery of regional news at the end of 2006 and there will be further planned change at the beginning of 2007. ITV is in a dialogue with Ofcom regarding the level of regional news programming, although this would not impact on the flagship ITV WALES TONIGHT at 18.00. We will continue to transmit the re-vamped current affairs series, WALES THIS WEEK, which displaces the network series, "Tonight with Trevor Macdonald", on Mondays at 20.00.

Tier 2 Arrangements

The current licence requires 287 hours of news programmes for Wales. Following schedule changes in September 2006, the weekly average for regional news will fall below the 5.5 hours a week set out in the majority of licences. ITV notified Ofcom of this shortfall and has opened a dialogue with the regulator regarding the possible setting of the licence quota in line with natural schedule delivery. This is under consideration by the regulator. The licence will deliver 208 hours of non-news programming including 41 hours of current affairs. There will be 105 peak slots in the schedule (this includes WALES THIS WEEK displacing "Tonight with Trevor Macdonald" on Mondays) the remaining slots are in near-peak or off-peak. We plan to exceed our 25% independent production quota. There will be no repeat programming in the core regional service.

Programme Offer

It is a key remit of our programme service to reflect the demographics in Wales brought about by economic change and inward migration. This means that viewing patterns are altering. However, in a very competitive world and with the number of multi-channel homes in Wales approaching 80%, our programmes must be commercially viable and aim to achieve as large an audience as possible. In this context we have a different remit to a public funded public service broadcaster. The investment of the new digital newsroom and the addition of a satellite truck for North Wales, which will complement the one in South Wales, will enhance the immediacy of our reporting to all parts of Wales. We will continue to introduce innovative and interactive technology and programming which appeals to a wide audience.

Programme Offer News

Our news service will be at the core of our programme offer. It will inform Welsh viewers and increase the understanding of where they live through stories and items

on current events, trends and ideas. It will be a truly national news service covering issues important to a new democracy. WALES TONIGHT will remain our flagship programme at 18.00, fronted by the main anchors, Jonathan Hill and Lucy Owen. There will also be a number of short bulletins everyday throughout the week and at weekends. The advent of a new satellite truck for North Wales means that we will be able to “go live” to major news stories from all parts of Wales. Along with the new digital newsroom in Cardiff and our main bureaux throughout Wales, this will enhance our news service to the viewers. It is crucial that news reflects the changing and diverse communities that make up the Welsh nation. We will report the Welsh successes that affirm the national identity in sport and other areas of Welsh life. Campaigns will also be an important part of our output and underpin our involvement with our viewers and local communities.

News will report on the major events in Wales during 2007. There will be extensive coverage of the National Assembly election campaign in April and May, with nightly reports from all parts of Wales. The news team will play an integral part in the election night results coverage and during the following day. We will also follow the progress of the National Assembly after the election when it will gain increased powers. After consultation with Ofcom, we will be broadcasting a five-hour long results programme on the night of the National Assembly elections in May. We will be claiming the hours after 24.30 and splitting them between current affairs and other programming. In the autumn, news will be providing nightly coverage of the Welsh team’s progress during the Rugby World Cup with daily reports from the Welsh team camp. ITV Wales news will remain committed to diversity with its stories, items and campaigns, giving representation of all communities on screen. In 2007 we will also reflect and celebrate the festivals of Wales.

Programme Offer Current Affairs

Current affairs programming will continue to be one of the key components of the ITV Wales programme service. We will inform viewers and analyse events as identified by Ofcom as being one of the main characteristics of current affairs programming. Central to our current affairs offering this year will be the coverage of the 2007 National Assembly elections in May. This is a key example of plurality of voice in broadcasting in the nation, with ITV Wales offering a genuine alternative to the publicly funded broadcasters. There will be a number of innovative programmes during the Assembly Election campaign giving a balanced view of the main parties’ policies and the politicians involved. This will be provided by the WATERFRONT team and will reflect the views of the electorate in all parts of Wales. ITV Wales will, once again, commission audience polls to give a reflection of the campaign. The current affairs team will join the news team to provide live coverage of the election results. WALES THIS WEEK presented by Helen Callaghan will continue to displace the network “Tonight with Trevor Macdonald” programme in peak-time at 20.00 on Monday nights. It will build on the success of 2006 by offering two or more items in each programme investigating stories and issues which reflect contemporary Wales. The programme makers will utilise the audience feedback from weekly phone-ins in our programme strategy. WATERFRONT will continue to cover stories and issues from the National Assembly, Westminster, Europe and other political bodies in the weekly slot on Thursdays at 23.30. It will also report on the new National Assembly after the elections when it will have increased powers.

Programme Offer Other Programmes

We will continue to offer a range of documentaries, features, drama and sport aimed at attracting as large a viewing audience as possible and reflect the changing nature

of Wales. Through experience, ratings, viewers reaction and feedback from the ITV Wales Advisory Council, we know that particular types of programming work well in peak-time slots. These are a combination of popular features, historical and consumer based programming. This means that a number of popular series, such as FISHLOCK'S WILD TRACKS, GREAT WELSH ROADS, STORIES FROM THE STREET, THE FERRET and GREAT PUBS OF WALES will be returning in 2007 at 19.30 Tuesdays and Thursdays. There will also be a number of new series in these key slots which will aim to attract a newer, younger audience, such as SWEETHEARTS REUNITED, WACKY WEDDINGS and a series looking at the forgotten Welsh characters of Hollywood. The key near-peak slots are 23.00 on weekdays. In these slots we will place a number of documentary and feature programmes, which will portray the changing social and community landscape of Wales in a populist way and reflect contemporary Welsh history and key events.

There will be a number of new series in this slot. COLIN'S WALES, a four-part series presented by Colin Jackson, will take us on a journey through the history of black people in Wales. CALL UP, a four part series, will look back at compulsory conscription during the 1950's and 1960's. TRUCKERS will follow the work of one of the main road haulage companies in Britain. There will also be a six-part entertainment series during the Rugby World Cup involving the fans and players. Key events will be commemorated in a special programme on the Welsh involvement during the Falklands war. We will show the work of the police forces in Wales with a brand new series looking at how they are re-visiting unsolved crimes with forensic and investigative techniques.

Wales remains a very rural nation and there will be a number of programmes that portray this, ranging from GRASS ROOTS to THE FOOD SHOW. It is important to reflect the cultural life of Wales. We will continue to do this with KARAOKE QUEEN and a new series of TEXACO YOUNG MUSICIAN OF WALES, which will follow all the entrants, from the early stages to the final. A new contemporary music series, UNSIGNED, will showcase young musical talent and interact with the audience. We will expand our coverage of youth drama through our project, IT'S MY SHOUT, which showcases young film makers and actors. The project is run in conjunction with local councils and various film agencies. A major film drama, LITTLE WHITE LIES, which has already won BAFTA awards and has received acclaim from several film festivals, will be premiered in 2007. There will be an increase in our sports programming because of our coverage of the Rugby World Cup in the autumn. Past experience has shown that live Rugby World Cup games gained a rating of over 80% of the audience for the Welsh games. ITV Wales will show every Welsh game live on ITV1 Wales, as well as special highlights and other feature programmes. There will also be extensive coverage of the Welsh teams in the football league.

Additional Information

Cultural Diversity

ITV Wales will attach great importance to diversity in all its programming, especially in series such as COLIN'S WALES. Our off screen activities will include many of the diverse communities in Wales.

Repeats

Repeats are not part of our programme offer but when slots become available we will transmit repeats of our most popular series.

Promotion of Media Literacy

There will be increased interactivity with viewers through programmes such as THE FERRET, WALES THIS WEEK and the news through phone-ins and help lines. The new music series, UNSIGNED, will also interact with the audience. We will build on our strong community involvement through campaigns on and off-screen, the feedback from the ITV Wales Advisory Council and various other public meetings which will be taking place as digital switchover approaches.

S4C

We are proud of our relationship with S4C and will continue to provide them with some of their most popular programmes, such as CEFN GWLAD presented by Dai Jones, our current affairs programme, Y BYD AR BEDWAR and HACIO. Our Welsh current affairs team will also offer plurality of voice in their coverage of the National Assembly elections.

ITV Wales Review of 2006

ITV Wales is committed to providing an alternative and complementary broadcast voice to our nation as outlined in our 2006 Statement of Commitments. The news service was the cornerstone of our programme offer. The emphasis was on our flagship 18.00 news programme, WALES TONIGHT, with our reporters covering the main issues and stories from all parts of Wales. There were also regular news bulletins throughout the day and on weekends. Our current affairs programmes were varied and included the long running series, WALES THIS WEEK, which was transmitted in peak-time on Mondays, displacing the network series, "Tonight with Trevor Macdonald". This follows the recommendation of the Ofcom Public Service Television Broadcasting Review and our commitment in our 2006 Programme Statement. The National Assembly of Wales and political events in Westminster and Europe were covered in our weekly political series, WATERFRONT, which moved to a more regular slot on Thursday nights. We also met the "challenge of an increasing multi-channel environment" with a diverse, interesting and commercially successful mix of programming. The programmes reflected the whole of Wales and its diverse communities and were varied. We "maximised our audience with original and watchable programmes in peak and near-peak slots", ranging from the ever popular, FISHLOCK'S WILD TRACKS to new innovative programmes, such as HOW THE OTHER HALF LIVE and THE PIER.

It is important that we reflect modern Wales and the events that have affected the nation. This was achieved by a number of programmes, in particular, the hour-long ABERFAN DISASTER, which was complemented by a four-part news series during the week of transmission. ITV Wales had more programmes in peak than the English regions, as there were increased numbers of non-news hours in the nations. Peak and near-peak programmes were transmitted in regular slots – 20.00 Mondays, 19.30 Tuesdays and Thursdays, 23.00 some weekdays and Sunday teatimes. Campaigns and community based programmes continued to have prominence in our output, in particular, PEOPLE'S MILLIONS, THE BIG CLEAN UP and EXTINCT, which were covered on news and in special programmes. These highlighted our involvement with the communities of Wales. We also participated in the TRUE TASTE CYMRU FOOD AWARDS, the second WALES YEARBOOK POLITICAL AWARDS and the ARTS AND BUSINESS AWARDS. ITV Wales interacted with viewers on and off-screen through close involvement with many events in Wales and the promotion of media literacy. Feedback from the ITV Wales Advisory Council continued to be helpful in programme making decisions.

Significant Changes

As we promised in our 2006 Programme Statement, “there were more programme slots in peak-time for non-news programming” with the re-vamped current affairs series, WALES THIS WEEK, which displaced the network series, “Tonight with Trevor Macdonald”, on Mondays at 20.00. This meant that “issues and stories that affect the nation” were shown to the widest possible audience who had a “shared experience”. The network programmes were shown later on Mondays. The political programme, WATERFRONT, moved to a new weekly slot on Thursdays, which enabled the political team to be more up-to-date with Assembly issues and stories. ITV is in a dialogue with Ofcom regarding the level of regional news programming, although this would not impact on the flagship ITV Wales news programme at 18.00.

Innovation, Experiment and Creativity

A new state-of-the-art digital newsroom opened in December 2006. This included digital news gathering facilities and new post production technology which enhances the service to the nation. During the last few weeks of 2006 we took possession of a new satellite news truck for North Wales, which complemented the truck in the south and allowed the news team to deliver “live” reports from all parts of the nation. The new peak-time, WALES THIS WEEK, was completely re-vamped with a new on-screen presenter, Helen Callaghan, and a two-story format. There were also a number of innovative new series, such as A GHOST STORY, THE ROAD THAT CHANGED WALES and a new half-hour drama, EROS UNLEASHED. The acclaimed hour-long ABERFAN DISASTER showed unseen archive footage of the tragedy and was a co-production with S4C and the History Channel.

Tier 2

The licence is required to deliver 287 hours of news programmes for Wales. Following the schedule changes in September 2006, the weekly average for regional news hours fell below the 5.5 hours per week average set out in the majority of regional licences. From the date of the schedule change the average shortfall per licence was approximately 10 hours. ITV notified Ofcom of this shortfall and has opened a dialogue with the regulator regarding the possibility of setting a licence quota in line with natural schedule delivery for future years. This is under consideration by the regulator. The licence has delivered 208 hours of non-news programming, including 41 hours of current affairs. There were 117 peak slots in the schedule (this includes the displacement of “Tonight with Trevor Macdonald” by WALES THIS WEEK on Mondays), and the remaining slots in near peak or off-peak. We exceeded the 25% independent quota. The core service did not include any repeats, however, some popular programmes were repeated when slots became available.

News

As we stated in 2006, “the news service reflected one of the key principles of public service broadcasting by informing viewers in Wales and increasing the understanding of where they live through the provision of information and analysis of events and ideas. There were significant events during 2006 which helped to further enhance our service. WALES TONIGHT, our flagship news programme, was “re-launched in the New Year with new titles and set, as part of the ITV re-branding”. Lucy Owen and Jonathan Hill were the main anchors. December saw the opening of a new £1.9 million digital news studio at our Culverhouse Cross site. It means that the ITV Wales

newsroom is one of the most modern in Europe, equipped with a digital transmission system and desktop editing. The bureaux in north, mid, west Wales and Cardiff Bay were also enhanced with the new digital technology. An additional satellite truck was based in North Wales at the end of 2006 and further improved the service to our viewers. It meant that the whole of Wales could be covered by “live” reports from the location of major stories. Our bulletins throughout the day, from the inserts into GMTV, through lunchtime, to the main bulletin and late evening bulletin were delivered by the new digital system and ensured that Wales had an up-to-date news service which also provided plurality of voice.

The ratings for the main WALES TONIGHT programme were variable throughout the year, ranging from 15% to 20%, but were symptomatic of the competitive multi-channel environment. Major stories covered included the death of four cyclists at Abergele in a road crash just after Christmas, the shock resignation of the Welsh Rugby coach Mike Ruddock and our news team was granted exclusive access and interviews with Prince Charles during his annual tour of Wales. The fortieth anniversary of the Aberfan Disaster was profiled at length and the continuing story and debate about the building of the LNG terminal in Pembrokeshire and the connected pipeline unfolded throughout the year.

As part of our campaigns, The Big Clean Up focused on how individuals could make a difference to their communities and People’s Millions asked our viewers to select five local projects which deserved up to £50,000 each of Big Lottery cash to fund local projects. We carried a series of features on organ transplants, the issues facing carers in Wales and the incredible work involving organ donors and bone marrow donors. Our news team worked with the Race for Life cancer charity showing how more than 50,000 women ran to help the cause. We also featured a strand called Extinct about endangered species. In Wales this focused on many stories, including the Red Squirrels on Anglesey and the Swansea University research into the Giant Leatherback Turtles that visit Cardigan Bay.

Current Affairs

ITV Wales produced 47 minutes of current affairs programming a week, reflecting our status as a national broadcaster covering the Welsh Assembly. We remain committed to the role of current affairs as defined by Ofcom to “inform viewers in Wales” and providing “analysis about current events”. Current Affairs Programming emphasised one of the main areas of plurality of voice amongst broadcasters in Wales as it provided an alternative service to the BBC in Wales. The service to the Welsh viewer was further enhanced with the scheduling of 42 episodes of the flagship, WALES THIS WEEK, in peak-time at 20.00 on Mondays, displacing the network’s “Tonight with Trevor Macdonald”. This was in response to Phase 3a of Ofcom’s Public Service Television Broadcasting Review which recognised the need for current affairs programming for the nations to be screened in peak. The programme, presented by Helen Callaghan, changed its format from a one-story programme to a two-story offering. This enabled ITV Wales “to report and investigate the pertinent stories and issues reflecting an ever changing Wales” as we stated in the 2006 statement. In its new format the series covered a much greater range of stories. Highlights included the successful prosecution of illegal e-bay trading in rugby shirts uncovered by a reporter; the successful closing down of a dog breeding establishment where both dogs and horses were being kept in cruel conditions and the re-opening of an inquiry into a cluster of CJD deaths in West Wales after a forgotten report was unearthed by a WALES THIS WEEK reporter. The programme followed the experiences of a retired West Wales couple harassed by their neighbours who were running an unlawful trucking business (this became a

programme to be shown in a network series – Revenge TV). A special half hour on the unmasking of a drugs baron also became the lead on ITN's evening news. WALES THIS WEEK consistently rated on or above the equivalent network ratings. As a further re-vamp of our current affairs output, the weekly political programme, WATERFRONT, "moved to a regular slot" on Thursday evenings. This meant that the team were able to react quicker to events at the end of the political week for the Welsh Assembly and Westminster.

Major political developments were reflected with a greater sense of immediacy but the programme also continued to set the political agenda. Exclusives on WATERFRONT included news that the Welsh Assembly Government was set to miss its pledge to provide free home care for the disabled and the revelation that a Conservative candidate had been deselected amid allegations of homophobia.

Following the death of the independent AM and MP for Blaenau Gwent, Peter Law, a specially extended programme was broadcast from Ebbw Vale, with the results of an exclusive opinion poll and a debate between the by-election candidates. Other political programmes on ITV Wales during 2006 included both "live" coverage and highlights of the Royal opening of the Senedd on 1st March; a documentary on the future of nuclear power and a series of programmes, A DATE WITH DESTINY, looking at crucial moments in the lives of some of the giants of twentieth century Welsh politics. This year also saw the second WALES YEARBOOK POLITICAL AWARDS, held in November, and attended by over three hundred politicians and opinion formers. The guest speaker, and winner of one of the awards, was the former leader of the Labour party, Neil Kinnock.

National Programmes for Wales

As we promised in our 2006 statement, ITV Wales provided "a range of documentaries, feature and drama programming which reflected all aspects of Welsh life and also appealed to the changing profile of the Welsh nation". A huge variety of series portrayed a culturally changing Wales, ranging from the eccentric landed gentry in HOW THE OTHER HALF LIVE to the karaoke singing pub revellers of KARAOKE QUEEN. These, together with some of our more popular series, such as GREAT WELSH ROADS and FISHLOCK'S WILD TRACKS gave a "shared experience about various aspects of Welsh life". One of the highlights of the year was the poignant but hardhitting documentary, THE ABERFAN DISASTER, produced as a coproduction with S4C and the History Channel. Transmitted on the fortieth anniversary of the tragedy, it contained unseen footage and interviews with people who hadn't spoken publicly since 1966. In a special hour-long slot at 23.00 on Thursday, it achieved a 20% rating. Another "historical programme of significance to Wales" was, THE ROAD THAT CHANGED WALES, which told the story of how the M4 has transformed the life and industry of South Wales since the opening of the Severn Bridge in 1966. As we stated in our 2006 Programme Statement, these programmes were "part of our policy of looking at contemporary history which is within the lifetime of our viewers". Other historical series which made an impact were, a drama documentary on the 80th anniversary of the 1926 General Strike, and a four-part series, VALLEYS OF PLAY, which showed how the population of the South Wales valleys spent their leisure time. Both of these programmes were co-productions with S4C and were presented by the historian, Professor Gareth Williams.

The historical series, YOUR CENTURY, came to an end. Over the eight years it has covered the history of over seventy towns and cities in Wales and is an invaluable

archive source for the future. It attracted over 18% of the viewers and has consistently been one of our most popular programmes.

We “explored the changing face of religion and spirituality of Wales” with a series, LIFE OF DEATH, which looked at the changing attitudes to bereavement in Wales. As we stated in our Programme Statement “it’s important that our most popular programmes, which appeal to the traditional ITV audience, are given prominence in peak-time slots”. Our most prominent peak-time slots were 19.30 on Tuesdays and Thursdays. In 2006, traditional programmes such as FISHLOCK’S WILD TRACKS, which achieved 22% of the audience, GREAT WELSH ROADS, which achieved 20% and STORIES FROM THE STREET, which achieved 18%, performed well in these slots. New series also commanded large audiences and gave a different view of Wales. GREAT PUBS OF WALES, which achieved 21%, saw John Sparkes, the presenter of the series, taking the viewers behind the scenes and telling them the stories of famous public houses and inns. THE PIER, followed a year in the life of Mumbles Pier in Swansea, one of the best known landmarks in Wales. A programme which didn’t quite maximise its audience was FAMILY DETECTIVES, which traced how people living today were related to famous people from the past. It did, however, suffer from intermittent scheduling owing to network schedule changes. THE FERRET, in its tenth year, continued to attract high ratings and “interact with the audience”, despite being in a number of different slots. We also portrayed the present day icons of Wales through a variety of programming. THE PRINCE IN WALES and MY TRUST IN WALES followed the Prince of Wales during a recent trip to Wales on the thirtieth anniversary of the Prince’s Trust. Presenter, Lucy Owen was given exclusive access to Prince Charles on location in Wales and at his home in Highgrove. THE FIRST FIFTEEN, presented by Jonathan Hill, followed Welsh rugby captain, Gareth Thomas, during his trip to the Somme, the First World War battlefield, where many Welsh international rugby players died, including a former captain. At the end of 2006, COOL CYMRU, profiled Terry Morris, the man who took photographs of many present day Welsh icons, including Shirley Bassey and Charlotte Church. In a near-peak slot, A GHOST STORY, presented by John Sparkes, gave an alternative look at ghostly locations in Wales and explored whether there are logical explanations to the stories and events. In 2006, we promised that “we would cover the major festivals in Wales” – the National Eisteddfod, the Royal Welsh Show, the Urdd and the Llangollen International Music Festival. We covered these events on our news programming. However, we did not produce separate programming for commercial reasons. In a competitive multi-channel environment these events do not have the appeal as in previous years on ITV1 Wales. The viewing figures have declined as the multi-channel environment has expanded.

We did, however continue to portray the cultural and agricultural life of Wales in other ways with programmes such as GRASS ROOTS and THE FOOD SHOW. Music in Wales was covered with a range of programming, from KARAOKE QUEEN to THE GUEST LIST and A CHRISTMAS PRESENCE featuring Hayley Westenra, which was an hour-long programme celebrating music and featuring prominent artists. Drama was an important part of the service. In December we broadcast the premiere of the feature film, DEAD LONG ENOUGH, produced with RTE, the Arts Council of Wales and others. Once again, we have shown that this form of funding enables top quality drama to be shown on ITV Wales. In 2006 we stated we would “try and develop programming for a younger audience, particularly in the late night slots”. We achieved this with, FREE RIDE, a series which featured extreme sports and was transmitted on Thursday evenings for most of the year. Welsh football was covered on SOCCER SUNDAY, presented by Jonathan Owen and we continued our build-up to next year’s Rugby World Cup, with a series of WALES’ WORLD OF RUGBY.

Promotion of Media Literacy

Interactivity is a growing part of our programming. The shining example is THE FERRET which celebrated its tenth anniversary year. Nearly all the stories come from the audience phone lines, which are constantly open. The Farepak Christmas hamper story this year led to the biggest number of calls. WALES THIS WEEK also introduced an interactive element with a weekly viewers poll on topics raised in the programme. The largest number of votes came from the question on the future of nuclear power and, during the time of the Football World Cup, the question "should Welsh fans support England?" WALES TONIGHT continued to canvas viewers opinions through the use of phone-ins, texts and the website. Viewers mobile phone pictures and videos are increasingly being used on the programme.

Campaigns

ITV Wales ran THE BIG CLEAN UP to coincide with a network campaign which led to a number of items and a special programme which portrayed clean-up projects from all parts of Wales. A number of ITV Wales staff also took part in the campaign by cleaning Aberthaw beach in conjunction with the Wildlife Trust. During the autumn, ITV Wales contributed to a new campaign on extinct animals. The programme highlighted the threat to a number of species due to environmental changes throughout the world. THE PEOPLE'S MILLIONS, in conjunction with The Big Lottery Fund, attracted a great deal of interest both via news and our special programme. The winners were Quay Wheels, a scheme in Deeside, Our Backyard is our Community from Flintshire, Sensory Room at Townhill School, Swansea and Restart Riverside Warehouse in Cardiff.

Community Action

ITV Wales continued to support communities in Wales in 2006 through its campaigns, off-screen involvement, news and other programmes. ITV Wales sponsored a number of events. We were broadcast partners of the Arts and Business Awards and the True Taste Cymru Awards. We also co-hosted The Wales Yearbook Political Awards. We were media sponsor for the IT'S MY SHOUT Project, a pioneering scheme enabling young people throughout South Wales to gain media experience, culminating in a series of programmes screened on ITV1 Wales. Through a partnership forged with ITV Wales along with Local Authorities, Further and Higher Education colleges, youth theatres, theatre companies, CYFLE, film and television companies, young people across South, East and West Wales have been gaining invaluable practical media experience. ITV Wales supported the Media 4 Schools initiative which encourages young people to get involved with the media. This involves organising studio tours and visits by teachers and young people as well as sponsoring the annual awards ceremony.

We maintained our close working relationship with CRIMESTOPPERS through our news coverage. There was a regular weekly slot in the lunchtime bulletins, helping to identify, prevent, solve and reduce crime. We also worked with South Wales Police on The Best Community Officer Award. We supported other initiatives, including Bone Marrow Week, Organ Transplant Week and the Welsh Blood Donor Service, which featured case studies highlighting the need for people to be donors. The response received was tremendous. ITV Wales news also covered the Best Christmas Card competition - a Wales wide competition run on WALES TONIGHT, which earned the winning school £1,000 to spend on arts and craft materials.

ITV Wales Advisory Council

The ITV Wales Advisory Council met regularly during 2006 to discuss ITV Wales' programme output. The new Chair, following Keith James retirement in September, is Iwan Huws, the Director of the National Trust in Wales. The Members represent all parts of Wales and the group provides helpful feedback and advice on all aspects of ITV Wales' programme service.

Appendix 2

Extract from BBC 2007/8 Statement of Programme Policy

BBC One Wales annex

Service remit

BBC One in Wales complements the networked BBC One schedule by providing mixed genre programmes appealing to mainstream audiences in Wales which displace or replace content otherwise available on BBC One. The service also provides viewers in Wales with programmes that reflect and support local culture, identity and heritage, and it is the BBC's primary outlet for coverage of major events in Wales.

Service priorities

BBC One Wales provides a platform for a wide range of genres, fostering and harnessing Welsh talent to deliver high-quality programmes that bring the nation together. In particular it provides accurate and impartial news services. Its current affairs output documents civic and political life, provides a context for Welsh issues and reflects the diversity of opinion in Wales. For the year ahead, key priorities for BBC One Wales include:

Priority Rationale

Promote active citizenship with major initiatives around the Welsh Assembly election in May, with the aim of increasing reach compared with 2003 Assembly election coverage.

To support and demonstrate the BBC's commitment to sustaining citizenship and civil society.

Broaden reach among priority underserved audience groups through high-quality drama, comedy and other programming such as Coal House, a major multiplatform reality history initiative.

To support BBC One's objective to extend the channel's appeal among younger audiences.

Performance measurement framework

Details of statutory quotas and other obligations to be fulfilled by BBC One, in conjunction with other BBC services, are included in the master Statement of Programme Policy for BBC One. BBC One Wales will work with the network service to meet these requirements as appropriate. In particular:

Reach: BBC One Wales should contribute towards the maintenance of combined BBC weekly reach for all BBC services at over 90% by aiming to maintain its own weekly reach.

Quality: Audience approval of BBC One in Wales and perceptions of it as high quality and innovative. Also, the proportion of originated programmes across all hours (including repeats).

Impact: Audience perceptions of BBC One in Wales as engaging and challenging.

Value for money: BBC One Wales's cost per viewer hour.

Statutory commitments

In addition to the conditions and commitments outlined in this annex, BBC One Wales will contribute as appropriate to the fulfilment of a number of statutory commitments for the networked BBC One service as described in the master Statement of Programme Policy for BBC One.

BBC Two Wales annex

Service remit

BBC Two Wales is a mixed-genre service for Wales, appealing to a broad audience with programmes of relevance and depth. It provides a range of knowledge-building programmes along with documentaries about the countryside and contemporary society, tailored to be of interest and relevance to audiences in Wales.

Service priorities

BBC Two Wales typically fulfils its remit by time-shifting the network schedule to accommodate programmes made in Wales for Welsh audiences. Our programme focus is on factual programming that broadens horizons, including history and the countryside, and with significant peak-time coverage of Wales – past, present and future. BBC Two Wales also supports the development of innovation and new talent in Wales, and delivers a range of programmes from the major national cultural events of Wales. This year our priorities include:

Priority Rationale

Offer a selection of programmes across a range of genres to appeal to a variety of audience tastes.

To support BBC Wales and BBC Two objectives to extend programming appeal beyond heartland audience groups.

To consolidate sport's position as the backbone of the BBC Two Wales service by providing opportunities for both in-depth analysis and discussion, through Scrum V rugby output and the new Inside Sport, which will cover a wider range of sports and sports issues. Sport in Wales consistently delivers high and broad audiences to BBC Two. This is supported by higher than average appreciation levels.

Performance measurement framework

Details of statutory quotas and other obligations to be fulfilled by BBC Two, in conjunction with other BBC services, are included in the master Statement of Programme Policy for BBC Two. BBC Two Wales will work with the network service to meet these requirements as appropriate. In particular:

Reach: BBC Two Wales should contribute towards the maintenance of combined BBC weekly reach for all BBC services at over 90% by aiming to maintain its own weekly reach.

Quality: Audience approval of BBC Two in Wales and perceptions of it as high quality and innovative. Also, the proportion of originated programmes across all hours (including repeats).

Impact: Audience perceptions of BBC Two in Wales as engaging and challenging.

Value for money: BBC Two Wales's cost per viewer hour.

Statutory commitments

In addition to the conditions and commitments outlined in this annex, BBC Two Wales will contribute as appropriate to the fulfilment of a number of statutory commitments for the networked BBC Two service as described in the master Statement of Programme Policy for BBC Two.

Extracts from BBC One and BBC Two Service Licence Agreements

Annex III (iii)

BBC One Wales

Part I: Key characteristics of the service

1. Remit

The remit of BBC One in Wales is to complement the networked BBC One schedule by providing mixed-genre programmes appealing to mainstream audiences in Wales which displaces or replaces content otherwise available on BBC One.

The service should provide viewers in Wales with programmes that reflect and support local culture, identity and heritage and it should be the BBC's primary outlet for coverage of major events in Wales.

2. Scope of this Licence

See BBC One main Licence. BBC One Wales should be available to viewers in Wales.

3. Overview of aims and objectives

BBC One in Wales should provide accurate, impartial and independent daily news services. Its current affairs output should document civic and political life, provide context for Welsh issues, and facilitate debate representing the diversity of opinion in Wales. It should place special emphasis on authoritative reporting and analysis of elections in Wales.

BBC One Wales should provide a platform for special events of particular significance to mainstream audiences in Wales. In its drama, comedy, music and arts

coverage it should reflect contemporary and historical life and culture in Wales. Welsh sport should be part of the programme mix.

It should foster talent in Wales, nurture new talent and support the creative economy in Wales.

Annex III (iii)

BBC Two Wales

Part I Key characteristics of the service

1. Remit

BBC Two Wales should be a mixed-genre service for Wales, appealing to a broad audience with programmes of relevance and depth. There should be a range of knowledge-building programmes along with documentaries about the countryside and contemporary society, tailored to be of interest and relevance to audiences in Wales.

2. Scope of this Licence

See BBC Two main Licence. BBC Two Wales should be available to viewers in Wales.

3. Overview of aims and objectives

BBC Two Wales should deliver its remit with factual programming that broadens horizons. There should be peaktime coverage of history, the countryside, sport and culture along with documentaries reflecting contemporary life in Wales.

Live sports coverage and sports highlights, and programmes which explore and celebrate the Welsh landscape and history, should form the backbone of the BBC Two Wales service.

There should also be an opportunity within this service for innovation and development of Welsh talent particularly in comedy, and for creating strong content out of user-generated material.

These aims and objectives are typically achieved by time-shifting the network schedule to accommodate programmes for Welsh audiences.

Appendix 3

S4C 2007 Statement of Programme Policy

1. The public service remit for S4C on analogue is: A broad range of high quality and diverse programming, in which a substantial proportion of the programmes consist of programmes in Welsh; and, programmes broadcast for viewing between 18:30 and 22:00 every day of the week consist mainly of programmes in Welsh; and, the programmes that are not in Welsh are normally programmes which are being have been or are to be broadcast on Channel 4.

2. The public service remit for S4C digidol is: A broad range of high quality and diverse programming in a service in which a substantial proportion of programmes consist of programmes in Welsh

3 We will deliver the statutory remit for 2007 for the public services in accordance with S4C's Programme Strategy (Creative Excellence), published in July 2004. To reach the apex of excellence the Strategy emphasises the importance of working in partnership with the independent sector. Our partnership with the sector and the new strategic partnership with the BBC will enable us to deliver a more sustainable schedule interspersed with landmark programming. The schedule will include a broad range of programming with an emphasis on entertainment but without sacrificing neither quality nor substance. Our communications framework will reflect the priorities of the Programme Strategy.

4. We will simultaneously broadcast at least 35 hours of Welsh programmes every week on S4C and S4C digidol.

5. We will spend at least £70 million on content for our services.

6. In addition to our statutory duty of ensuring that no less than 25% of all original broadcasting hours are produced by independent producers, 95% of the hours commissioned and paid for by S4C during 2007 will be produced by independent companies. We will continue to promote creative excellence and contestability by operating an open tendering process. Opportunities for the independent sector in Wales will further increase with the outsourcing of the production of presentation of interstitial broadcast material for children across television and the web ("Planed Plant"). We undertake that our relationship with our producers will be both open and effective. To this end we will operate in accordance with the agreed Code of Practice and Terms of Trade for 2007. We will (with the sector) review S4C's Code of Practice and Terms of Trade during the year.

7. In line with our Programme Strategy we will be introducing a new brand image early in the New Year. The decision to transform our brand image is driven by our desire to achieve excellence, to respond to the need of our audience for modernisation, to present S4C's content across new platforms and to strengthen our communications in the run up to digital switchover.

8. The S4C Viewers' Hotline will be available throughout the year, at the very least between, 09:00 – 22:00. It will receive viewer comments and enquiries on: 0870 6004141, at: hotline@s4c.co.uk, or: minicom 029 2074 1212.

Innovation

9. We will utilise all appropriate distribution platforms to increase the value and usage of S4C content. We will be significantly increasing our web provision, including programmes produced by the BBC. We envisage making the majority of programmes broadcast on S4C available on broadband – simultaneous with the television broadcast and on-demand for a period following the television broadcast. It will be possible to view the on-demand version with or without subtitles. We will provide a variety of bilingual websites to complement the content of our programmes, including additional programme information, schedule information and information on all additional services. We will continue to develop our on-line service for Welsh language learners. We will be placing particular emphasis on developing, in line with best practice, the “usability” of our websites. We will increase the red button services on satellite television, and will introduce a terrestrial red button service. The development of a red button service for Welsh Learners will complement the on-line service for Welsh Learners. We plan to enhance our Digital Sbcetel service (“Sbcetel Digidol”).

10. The development contracts and the three animation contracts with the independent sector will continue to be operational with the aim of promoting creativity and laying a firm foundation for future activity. We will carry out a review of the development contracts.

11. During the year we will review the supply chain for content provision. Landmark Programmes

12. Having secured the rights to the Rugby World Cup, we will broadcast at least eighteen live games from the competition as well as highlights programming. We will improve and strengthen our extensive rugby programming via the Codi Canu series which will invite participants to sing in one of four new choirs linked to the four regional rugby teams. We will be presenting a drama documentary entitled Brad Rygbi Cymru portraying the vast changes witnessed on the field of play since the onset of professionalism 10 years ago. 13. In drama, there will be a second series of Caerdydd with its exciting portrayal of city life, and a period drama series entitled Calon Gaeth, based on Sian James’ poignant novel “Small Country”.

14. In the factual genre, a unique series entitled Tywysogion shall take a fresh look at the history of the Welsh Princes through the eyes of the lecturer and political commentator Richard Wyn Jones. We will present a second series of Wynebau Newydd and O’r Galon and will mark the centenary of the National Library of Wales with a series looking at the treasures of the Library.

15. With regard to news provision, the Assembly Elections will be held in May and an interactive service will be introduced to improve the provision. In an attempt to appeal to a wider audience, some music and entertainment programmes will highlight the event.

16. Following the success of Gêm y Ganrif, a similar project combining film, documentary and CGI methods will be undertaken to recreate Cardiff City’s historical success in defeating Arsenal in the 1927 FA cup final – the only time a team from outside of England has ever accomplished the feat.

17. An animated film of the story of Gelert will be one of the highlights of Christmas 2007.

18. During 2007 we intend to show a new theatrical film in cinemas. This is a bold and contemporary film by the acclaimed author Delyth Jones.

Children

19. We will re-organise our entire provision for children following the appointment of a new Head of Children's Services. The aims being to add value and revise the nature of the provision in line with the needs of the audience. Following the changes, the new-look provision will be a significant transformation. In the meantime, we will continue to extend our provision for children, and will concentrate, during 2007, on the 10 – 15 year age group. We will broadcast a minimum of 140 hours of original programming for children and will continue with the extended provision during school holidays. Amongst the number of new series' to be launched during 2007 will be Peirianferth with children building and competing against robots. Dawnstawstig follows the progress of young resident dancers at the Wales Millennium Centre. Children will not miss out on the excitement of our 2007 Rugby World Cup programming as there will be a further series of Rygbi 100%. We will also introduce a new sports quiz showing competing schools. The news programme for children, Ffeil, will be broadcast more often to secure regular broadcasts throughout the year.

20. A new pre school stop animation series, Holi Hana, hits the screen in February. The series has been co-produced by S4C, production company Calon, Five and ZDF from Germany. It tells the story of small animals seeking resolution to their problems from Hana the duck.

21. Consistent with S4C's policy of promoting sustainable growth in the independent production sector, in-house production of Planed Plant will cease. An open and competitive tendering process will be published to choose a new independent provider. The new arrangements will be in place by October 2007.
News and Current Affairs

22. Following the Strategic Partnership with the BBC, we will redirect the focus of the News programme both visually and editorially, and offer additional material via the red button. We will also continue to broadcast the nightly news programme and the short news bulletin during peak hours and extend the length of the late Sunday bulletin in line with Ofcom targets for news (200 hours during Welsh hours with 150 hours during peak hours). Following discussions with the BBC, we will re-launch Maniffesto, which discusses both Welsh and global political and burning issues, the aim being to give the content and format a fresh new look. We also plan to introduce changes to develop Yr Wythnos, the news summary programme aimed primarily at Welsh learners.

23. We will broadcast 30 hours of current affairs programmes during peak hours (60 hours in total). We will promote plurality by ensuring that current affairs programmes are produced by more than one production source. In 2007, the BBC will provide a series of both Taro Naw and Pawb a'i Farn and ITV Wales will produce Y Byd ar Bedwar. ITV Wales will also develop younger journalistic talent on Hacio, to be broadcast on S4C digidol.

24. We will air party political broadcasts in Welsh and English on S4C to coincide with the Assembly Election, the Chancellor's Budget and the annual party conferences of the four main parties in Wales.

25. We intend to broadcast all National Assembly plenary sessions on S4C2.

Diversity

26. Live broadcasts from national festivals and sporting events give a special flavour to S4C's services and are an important means of attracting a wide audience to the channel. We will offer live broadcasts and highlights from the National Eisteddfod, the Urdd National Eisteddfod (improving and developing the extended service on S4C2), the Royal Welsh Agricultural Show (with further broadcasts on S4C2 and via the red button), the Cerdd Dant Musical Festival and the Llangollen International Music Eisteddfod.

27. We will maintain our excellent reputation in sport with a comprehensive service of domestic and international rugby and football. We will broadcast stages of the British and World Rallying Championship and develop Rasus. We will make full use of our rugby rights by making 2007 a year of rugby with live broadcasts of Rugby World Cup matches. We will continue to broadcast Le Rygbi, Rygbi'r Byd and extended highlights from the Heineken Cup. We will also increase the number of broadcasts of live games between teams from Wales. Further content will be available to users via the red button and the web.

28. In rural programming, we will continue to broadcast our series' Cefn Gwlad and Ffermio and the specialised news bulletins, as well as interactive and web-based services.

29. In drama, 2007 sees us introducing two brand new series with five series returning to the screens. Whilst Calon Gaeth will be a period drama displaying visual excellence we will also continue to emphasise contemporary and hard-hitting drama. The BBC's nightly drama, Pobol y Cwm, will be the backbone of the schedule from Monday to Friday. We will be broadcasting another series of Rownd a Rownd.

30. In line with the Programme Strategy, we will continue to mark the importance of music in the schedule, with performances by Welsh National Opera, pianist Llyr Williams and broadcasts from the Brecon Jazz Festival. There will be another series of the competition Côr Cymru and a special programme from Nashville with singer Cerys Matthews. We will continue to invest in our contemporary music series Bandit. The annual Cân i Gymru competition will be held in March.

31. In line with the Programme Strategy we will increase the emphasis on entertainment by broadcasting two alternative, amusing and enjoyable series, presented by two of the channel's favourite characters, Dewi Pws and Eleri Sion.

32. In entertainment, we will continue to invest in the animation series CNEX, develop the characters of the Mawr series and broadcast another series of Y Briodas Fawr. We will broaden the appeal of rugby programming by broadcasting Jonathan during international rugby periods. A new series will follow Rugby Wives going about their lives during the Six Nations Championship. We will respond to the need for gardening programmes.

33. The new-look Dechrau Canu Dechrau Canmol, will continue to be developed as it broadcasts a range of programming containing congregational singing, performances of the highest calibre and singing from a range of high-profile events in Wales.

34. To prepare for the digital age, we will be screening several programmes previously broadcast exclusively on the digital service on our analogue channel. The magazine programme Wedi 3 will be broadcast simultaneously during the Spring.

This programme will cover items relating to gardening and we will continue to research the most effective ways of developing items and programmes for this genre.

35. In line with the emphasis placed on arts programming in the Programme Strategy, the series, Sioe Gelf along with twelve specials from the same production company will be broadcast during peak hours. There will be a further series of Byd o Liw. We will be looking at the castles of Wales through an interpretation by contemporary artists' of old paintings.

36. We will broadcast at least 90% of original programming during peak hours and 80% during all Welsh hours on S4C.

37. Our Welsh language subtitling service has been designed to allow the hard of hearing or deaf Welsh speakers, Welsh learners and those who are uncertain of their Welsh to enjoy and participate in our programmes. We will provide at least 10 hours a week (on average) of original Welsh subtitles, mostly on programmes broadcast during peak hours on the analogue service (and simultaneously on S4C digidol). We will continue to enhance the appeal of our programmes by using English subtitles. We aim to provide English subtitles on at least 80% of all Welsh hours on analogue. On S4C digidol we will meet the appropriate target for subtitling (set by Ofcom). We will continue to broadcast repeats of many of our most popular programmes with opensubtitles (including repeats of Pobol y Cwm). Subtitles for the deaf and hard of hearing provided by Channel 4 will be available when those programmes are broadcast or repeated on S4C.

38. Certain programmes on S4C digidol will carry an audio description service, providing additional spoken descriptions in Welsh of the action between dialogue, thereby enabling independent viewing by visually impaired viewers. Commentary will include description of plot, visual expression, body language, costume and scenery (in line with Ofcom targets). On certain programmes on S4C digidol we will provide signing on the side of the screen, thereby enabling interpretation of programmes in BSL. The service will be provided for deaf viewers, and a presenter will deliver the programme in a style that is suitable for audiences living mostly in Wales, or those who are able to receive S4C through Sky in the United Kingdom. We are holding talks with relevant groups to ensure usability and suitability of all our access services.

39. We will repeat the majority of our drama output with open subtitles within seven days of transmission on analogue. In addition, we will provide viewers with extra viewing opportunities on digital. During any given week, no more than 15% of the programmes transmitted during peak hours on analogue will be repeats.

40. We will continue to conduct qualitative and quantitative research to assess public opinion of S4C and will consider the results and implications when planning our services and as part of our annual review of programme policy. We will provide information about our services and receive comments or complaints from our viewers on our Viewers' Hotline and in public meetings. We will supply the Sbetel service.

We will produce the quarterly magazine Sgrin which provides information about our programmes. We will be transforming our web presence and will revitalize scheduling information by offering preview videos of individual programmes.

41. S4C Charitable Appeal

Following a review, the aim of the 2007 Appeal will be to create a partnership with

communities to draw attention to various worthy causes. This is in line with the priorities of the Programme Strategy. The emphasis will move from raising money to assisting communities deliver their objectives and raise the profile of their causes.

42. Training

We will ensure suitable arrangements for raising the skills level of S4C and the industry by contributing to training schemes and playing our part as a member of Skillset. We will hold a strategic review of S4C's functions in relation to internal training and cross industry training.

43. Following a review we have decided that our scholarships programme will change to reflect the needs and priorities of our Programme Strategy. This year we will sponsor two young golfers, athletes, a musician and a student at the Cardiff College of Journalism.

44. We will implement our equal opportunities policies and ensure that ethnic minorities and disabled people are represented on the screen. An independent report will be prepared on the representation of disabled people on S4C.

45. We will ensure that S4C is broadcast on analogue in Wales and that S4C digidol is widely available on cable, DTT and satellite in Wales and on satellite throughout the United Kingdom.

S4C Authority Review of the 2006 Programme Policy

This is the S4C Authority's Review of the 2006 Programme Policy. This Review is based upon the Programme Policy Statement 2006 and its publication is a statutory obligation under the Communications Act 2003. In accordance with the framework set by the S4C Programme Strategy, 2006 saw an emphasis upon higher standards, interactivity and preparations for the launch of a new, multiplatform, modern brand image for the service. The aim being, as the exclusively digital age approaches, to safeguard and develop the content offered to the diverse S4C audience.

Each and every performance measurement for the S4C Welsh language services illustrated that S4C succeeded during 2006 to further improve upon the success of 2005. Increases were made in:

- Average thousands watching during peak hours
- Share of peak hours
- Reach of the Welsh language hours, on a weekly and monthly basis

A new target was set during 2006 to increase the percentage of viewers under 45. During 2006, 31% of all of S4C's audience during peak hours were under 45, compared with 25% during 2005, and, 22% during 2004. The highest increase was in the 25-34 age group. Inevitably the number of viewers watching Channel 4 programmes on S4C analogue is decreasing. S4C can no longer depend upon English language content to sustain the service as a whole. An average of 42 hours of Welsh language programming was shown each week on the analogue service. The emphasis in the Programme Strategy upon landmark and events programming is also bearing fruit. Over 1.2 million different individuals tuned into S4C's coverage of Wales' summer events.

In close cooperation with the Urdd and a new independent production company, Hanner a Hanner, the coverage from the Urdd Eisteddfod was enhanced in Eisteddfod yr Urdd 2006 with our second channel, S4C2, offering a new and unique service from the Pavilion. The online offering was further developed with over 34,000 items from the competition being downloaded. The first steps were taken towards offering a mobile phone information and results service. The coverage of the Royal Welsh Agricultural Show was even more ambitious than in previous years, with extended hours coverage on S4C digidol, the competitions from the Main Circle broadcasting on S4C2, and Sky viewers able to use the red button service to receive special items on the winners as well as send messages to family and friends at home.

In addition to the exciting interactive developments for the Royal Welsh, October saw the launch of an interactive red button service for the farming programme Ffermio ["Farming"] coupled with a new dedicated rural website to complement the programme.

During the National Eisteddfod the events of the Literature Tent were broadcast on S4C2. Amongst the highlights of 2006 was the concert, Jones, Jones, Jones from the Wales Millennium Centre. This exciting venture sought to break a world record, create a live event and produce a television programme. Incredible worldwide press coverage was provided to the event. On the same weekend Gala'r Ffermwyr Ifanc ["Gala Concert for Young Farmers"] was produced, a concert to celebrate the 70th anniversary of the young farmers, featuring over four hundred participants.

The new short film by the talented animator Joanna Quinn Beryl y Briodas a'r Fideo ["Family Ties-Dreams and Desires"] won over twenty five awards including the Cartoon D'Or. This co production between S4C and Cynhyrchiadau Beryl Productions tells Beryl's story as she sets about to film a wedding. Factual programming saw S4C marking the 40th anniversary of the disaster at Aberfan with a special programme narrated by the actor Rhys Ifans. The high viewing figures were a reflection of the producer's sensitivity in handling the events.

The documentary series China, a co production between the New York Times, CBC and others was presented by the dramatist Ed Thomas. It was a controversial, unique and exciting take on the country. Research showed that the audience welcomed series such as this, calling for more such programming, and the reaction was also favourable to the presenter and the marketing campaign that promoted the series. During 2006, S4C programmes and co productions were sold to over 31 different countries by our distributor Cymru International. Two new series' were broadcast, O'r Galon ["From the Heart"] telling personal and emotional tales, and, Wynebau Newydd ["New Faces"] which acquaints the audience with young characters, each with their own unique tale. In drama there was a further series of Con Passionate. The decision to extend the length of Tipyn o Stad ["Bit of a (e)State"] and transfer it to Sunday nights resulted in increased viewing figures. The urban drama, Caerdydd ["Cardiff"], attracted a young audience to the channel and Cowbois ac Injans ["Cowboys and Engines"] had particular resonance for audiences in West Wales.

The nightly soap opera Pobol y Cwm ["Valley People"], produced by the BBC continues to be a cornerstone of the schedule from Monday to Friday, coupled with the omnibus edition every Sunday. In May 2006, qualitative research was conducted on S4C's drama output, and drama viewing in general. One finding was that some series polarized the audience, and there was a call for some new genres in Welsh language drama in order to increase appeal. Tymor yr Arfordir ["The Coastline

Season”), a season celebrating the wealth of the Welsh coastline received a warm welcome at the beginning of the summer. The season included *Byd o Liw* [“A World of Colour”], the series *Hanes Cymru a’r Môr* [“History of Wales and the Sea”] and a special journey along the shores of Wales with Dudley. *Chez Dudley* was a big departure from the preceding series of Dudley. Following stiff competition eight cooks traveled to Provence to compete alongside French cooks to win a week at Raymond Blanc’s famous cookery school. This light hearted, innovative programme didn’t take life too seriously and brought new and strong characters to the screen. Research on S4C’s Audience Reaction Panel showed a very favourable response to this new format.

Iolo Williams also took a new turn with *Natur Anghyfreithlon* [“Illegal Nature”]. This hard hitting series dealt with man’s cruelty to animals, and in particular endangered species that should be legally protected. A number of countries were visited as Iolo explored the fate of the orang-utan in Borneo, parrots in Africa and the illegal slaughter of birds of prey in Malta, Wales and Scotland. A further run of the strong documentary series *O Flaen dy Lygaid* [“In Front of Your Eyes”] (BBC Cymru) saw several programmes reflecting the reality of life for young people in Llangefni, Cardiff and the Antarctic.

Dechrau Canu Dechrau Canmol [“To Sing to Praise”] was re directed following an open tender process. The purpose of the series is to invite the viewer to enjoy a broad range of congregational and Christian singing from a variety of locations. In addition to reflecting the chapels and churches it also captures important events in the Christian calendar including special Christmas and Easter services and the biggest hymn congregationals. The programme provides a spiritual experience through a mix of modern and traditional music and hymns. Research conducted in December revealed a positive reaction presenters in the programme. To mark the 250th anniversary of the birth of Mozart a documentary programme and performances by the pianist I_r Williams was broadcast. Following a review it was decided not to commission a further series of *Clwb Garddio* [“Gardening Club”]. After a decade of the programme it was felt that there was a need for a change and a new direction. Gardening items will be given prominence on *Wedi 3* [“After 3”], broadcast every weekday afternoon.

The first fruits of labour from the development contracts hit the screen with the gameshow *Tipit*. This simple pub game was transformed into a television format. Teams from all over Wales competed against each other in *Pontrhydfendigaid* with a special celebratory edition at Christmas. Research was conducted on the first series which fed into the production of the second series. *Mastermind Cymru* [“Mastermind Wales”] (BBC Cymru) saw the launch of another game show this time with Betsan Powys as the Quiz Master. The opening of the new National Assembly Senate in Cardiff bay on the 1st March received significant coverage with live broadcasts and highlights produced by BBC Cymru. The main news programme *Newyddion* [“News”] and a shorter bulletin were broadcast during peak. The BBC continued to provide the weekday news service for children *Ffeil* [“File”], the weekly new programme for Welsh learners *Yr Wythnos* [“The Week”] and the political programme *Manifffesto*. The series’ *Taro Naw* and *Pawb a’i Farn* [“Voice Your Opinion”] were also produced for us by the BBC. ITV Wales were responsible for *Y Byd ar Bedwar* [“The World on Four”], in addition to a series of programmes aimed at a younger audience, *Hacio*. Children’s provision saw the launch of a new series *Rygbi 100%* [“100% Rugby”], a magazine programme presented by Dwayne Peel and Sarra Elgan. In *Retro Alex Jones* and Anthony Evans took families back to different eras, and provided them with a taste of that period through food and other means. Research was conducted on both series by S4C’s schools research officer, feeding detailed and useful

information into series development. The young people's drama Rownd a Rownd ["Round and Round"] was re-invigorated with modern storylines and new and exciting visuals. The audience continues to enjoy this series, with very positive findings at the beginning of 2006, and it is seen as a programme for the whole family.

A new domestic rugby contract was added to the rugby provision at the start of the 06/07 season, creating a substantial portfolio of significant sports for a terrestrial broadcaster. The rights to Rugby World Cup 2007 were secured as well as the rights for the next 3 years to the Brecon Jazz Festival. A significant boost was given to the broadband service, by providing users with additional opportunities to view S4C programmes at a time of their choice and online. The service was the most comprehensive service of its kind of all terrestrial broadcasters in the UK. The S4C Terms of Trade allows programming to be available on broadband for up to 35 days following transmission. A digital text service was introduced via the red button. S4C was the first broadcaster to provide bilingual subtitles through the red button. Our rebranding project took into account new and emerging platforms and laid plans to transform the website and online services during 2007. We have restructured the Commissioning Department and have created a Communications Department. These changes are to ensure that internal mechanisms are consistent with our multi platform strategy and are effective in getting to grips with the changes to traditional patterns of viewing and using content.

We have been heartened by the response to the new service for Welsh learners. Our strategic decision was to cease commissioning specific programmes for Welsh learners and to harness convergence thereby creating loyalty to both the channel and its output. Research shows that 62% of www.dysguars4c.co.uk [www.learnons4c.co.uk] users go on to watch more Welsh language programmes on S4C after visiting the website. During 2006 there was a year-on-year increase of 70% in the average monthly hits on our website s4c.co.uk. There was an increase of 139% in the average monthly page impressions during 2006.

An important boost was provided to the success of the Programme Strategy with the execution of a strategic partnership with the BBC. The partnership means that a significant sum from the licence fee has been set aside for BBC Cymru to provide content to S4C for use on television and other platforms. The new editorial planning framework will be in place from 1st January 2007.

Tenders 2006

In line with the policy of increasing contestability a tender process was held for the following:

- Programme Content
- Dubbing Programmes and Animation Series'
- Lliwiau: World of Colours
- HSBC Brecon Jazz
- Dechrau Canu Dechrau Canmol
- Animation Development Contracts
- A dance programme
- Other
- Branding
- Compliance Monitoring
- Economic Impact Report
- Banking services

S4CI Investments
Media Buying
Sbectel
Welsh Subtitles 889
Rolling Panel

S4C Charity Appeal

Money raised from the appeal was used by Autism Wales to help them set up a research centre for the condition, which in the first instance will be located at Swansea University. The charity also intends to set up a Welsh Chair for Autistic Spectrum Disorder during the next eighteen months. Autism Wales provided an award for our corporate social responsibility. Several programmes were broadcast during 2006 about the appeal, including a special documentary programme.

6,403,343 compared with,759,566 in 2005

1,360,992 compared with 570,153 in 2005

Training and Talent

Training was provided to staff at S4C to further the goal of excellence and to promote creativity. Appropriate arrangements were put in place to raise skills level within the industry through investment in training schemes. The Business Plan for Cyfle was approved and included the creation of an investment group (with TAC/Cyfle/S4C as members) to assess how money is to be spent on strategic future training requirements of the industry.

Investors in People

S4C was once again awarded an Investors in People award. The S4C Authority was pleased to note that the required standards had been raised since the last award.

Research

Like every broadcaster we contribute towards the BARB panel that measures viewing figures. We also conduct thorough qualitative and quantitative research within our Research Department. That research has been fed into this Review and has been an aid to the Authority in preparing the Statement of Programme Policy for 2007.

Information for Viewers

Our Viewers Hotline (phone 08770 6004141) was available to provide information about our services and to receive comments and complaints by phone, e mail or by post. During 2006, 12,424 inquires, were received. Up to date bilingual information was available about the programme services on S4C's website, www.s4c.co.uk

The S4C Authority held four public meetings so that the public could meet and question the Chair and Chief Executive, face to face. These were held in Talybont, Neath, Blaenau Ffestiniog and Holywell. The meeting in Blaenau Ffestiniog was targeted at people with a disability and groups representing the disabled were invited to attend. We provided the Teletext, Sbectel service and produced a quarterly magazine, Sgrin, providing information on programming and familiar faces. During the year the S4C Authority approved a new Code of Complaints.

Subtitling

We continued to extend the appeal of our programmes by providing English subtitles for non Welsh speakers. During 2006, English subtitles were provided on 81.7% of all the Welsh language programming hours on analogue (against a target of 80%). On S4C digidol, English subtitles were delivered on 70.3% of the service (against an Ofcom target of 69%). Many of our most popular programmes were broadcast with open subtitles, and we attempted to ensure that where possible open subtitles were carried on each repeat on analogue (and on the simultaneous transmission). Subtitles for the hard of hearing and the deaf provided by Channel 4 were broadcast when those programmes were transmitted on S4C. On average (across the year) 10 hours of Welsh language subtitles were provided every week, mainly on programmes shown during peak for the analogue service (and simultaneously on S4C digidol), this met with the target set by the Authority.

Signing and Audio Description

Audio Description was provided in Welsh on a variety of S4C digidol programmes. 8.2% of the service offered an additional sound track against an Ofcom target of 8%. Programmes containing signing were broadcast in a regular Saturday afternoon slot and 1.4% of the service carried open signing against an Ofcom target of 1% for the year.

Scholarships

Following a review, our policy of awarding scholarships continued throughout 2006. The Sir Geraint Evans and T. Glynne Davies scholarships were judged and awarded and for the first time a Golf Scholarship was awarded.