



**National Assembly for Wales,
Communities, Equality and Local Government Committee**

Task and Finish Group on the future outlook for the media in Wales

**S4C Submission
1 November 2011**

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S4C offers its view on the future of the media in Wales under each of the key themes identified by the inquiry.

Key Theme 1 - The current state of the media in Wales and how new technology and other developments are impacting on this, in the context of continuing concerns about the future of the Welsh broadcast and print media.

A year ago, there were profound concerns for the future of S4C, in particular for its continued independence and funding. A turbulent twelve months has come to an end with the conclusion of an agreement between the BBC Trust, the S4C Authority and the UK Government's Department for Culture Media and Sport which protects the editorial and managerial independence of S4C, whilst safeguarding appropriate accountability to the BBC Trust for licence fee funding. The supplementary funding which has been agreed for the 2015-2017 period, while challenging, will provide stability for S4C and the production sector in a difficult financial climate. A new partnership with the BBC will be built to identify and deliver efficiencies so that spending on programme content is maximised. The S4C Authority will continue to be the statutory body with responsibility for delivering S4C's remit, with its members being appointed by the Secretary of State, advised by a panel now including a representative of the BBC Trust as well as those from the UK Government, S4C and the Welsh Government. The BBC Trustee for Wales will also be an Authority member.

This agreement and the principles on which it is based will provide a vitally important degree of stability and an opportunity for forward planning at a time of financial uncertainty. At the same time, S4C has been successful in appointing as its new Chief Executive a Welshman with a particularly distinguished track record in television internationally. He will be joining no later than April next year – sooner if he is able to finalise any commitments to his current employer. Ian Jones's arrival, coupled with the forward-looking impetus which will be provided by the new agreement with the BBC will drive S4C forward to a new future.

The financial challenge which the new Chief Executive and his team will face, together with the production sector with whom they will be working closely, is a daunting one. The change from a funding regime based on an inflation-based formula to one in which a substantially reduced baseline is compounded by the absence of provision for inflation will inevitably have a considerable effect on the funding available for programming and for programme support within S4C. Although every effort will be made to minimise the impact on viewers, for example by concentrating investment on the peak hours, it is inevitable that there will be some impact on S4C's services. It is anticipated that the reduction in funding will result in a reduction of around 230 hours of Welsh language programmes transmitted every year, and a reduction in the cost per hour of original programming from £41k to £32k per hour. This is in addition to the reduction in spending by BBC Wales on the programming provided to S4C under the statutory requirement and the strategic partnership from £25.1m in 2009 to £19.4m in 2012/13.

S4C has already announced the loss of 31 internal jobs, through voluntary redundancy, and has committed to ensuring that the reductions in non-programme costs will be on a similar scale to programme cost reductions by 2013/2014. It is worth noting in this context that savings in non-programme costs of 10% had already been achieved between 2006 and 2010.

In television terms, the digital revolution has left S4C, like other public service broadcasters, facing the hugely increased challenges of competition from multiple channels and platforms. In S4C's case, the competitive challenge has been compounded by the loss of Channel 4 programmes. While this has been detrimental in terms of pure viewing figures, the upside has been that the additional capacity made available to S4C on its digital channel has resulted in the availability of increased broadcasting hours which have been exploited for the benefit of viewers, particularly with the introduction of Cyw, the extended hours service for children. One of the continuing challenges for S4C is to identify and deliver the optimal mix of programmes which, on a single channel, will meet the needs of the whole range of Welsh-speaking viewers.

The S4C service will continue to make an important contribution to public affairs and debate in Wales. Its news service, provided by BBC Wales, provides the only news programme in the devolved nations which combines both national and international stories. Its current affairs and factual programmes, drawing on a wide range of sources, including ITV Wales, provide an important element of media plurality and diversity of approach.

The challenge posed for the Welsh language by new media is immense. New frameworks for interaction, from Facebook to LinkedIn, from YouTube to Twitter have proliferated, crossing national and traditional cultural borders. New communities of interest are created in which the use of international languages is favoured so as to maximise reach.

At the same time, digital networks offer the means for Welsh-speakers across the world to access content previously confined to Wales, where copyright allows. Several hundred thousand viewers from other parts of the UK tune in annually to S4C's digital television services on satellite and via the internet. S4C's "Clic" catch up service offers opportunities to watch programmes online for 35 days after initial transmission. S4C also has a series of popular websites including many for children which are used and appreciated. A web-based service is provided to enhance the value of programmes as a powerful support tool for Welsh learners.

S4C recognises that it is in a key position, as a publicly-funded provider of digital audio-visual content, to support more widespread use of the Welsh-language in new media. But it also recognises the challenge of developing an appropriate strategy in this regard – one which offers the best chance of facilitating widespread creative use of the Welsh language in new media, and one whose ambition is correctly aligned to its ability to deliver.

To this end, it has established a New Media Forum under the chairmanship of an Authority member. The Forum has produced a report which will shortly be the subject of a wide-ranging consultation. Its main recommendations include:

- Appointing a digital director at S4C.
- Reaching agreement with copyright holders and unions to enhance the distribution of new and archive material online.
- Researching how S4C can make more and better use of its content for educational purposes.
- Developing a digital commissioning strategy.
- Changing S4C's statutory remit to encompass media other than television.

S4C has announced its intention to develop S4C Lleol/S4C Local – a means of sharing local and community content across Wales, based on the principle of being open to partnership with a wide range of educational, voluntary and community groups, drawing on the skills of the *papurau bro* and local radio. S4C is also happy to discuss partnerships with potential local television providers in Wales, which might be based on access to content, shared advertising sales and technical resources and skills.

Key Theme 2 - What the priorities should be from a Welsh perspective as the UK Government brings forward proposals for its Communications Bill.

The Public Bodies Bill currently being discussed in Parliament will, if passed, effectively remove the statutory funding formula which S4C has received since 1982. Irrespective of the value of the recent Agreement between S4C, the BBC and DCMS, the Communications Bill provides an opportunity to discuss and restore statutory funding, based on a publicly acceptable formula, clearly aimed at enabling S4C to carry out its statutory remit.

S4C's current remit is to provide a television service substantially in the Welsh language. The Communications Bill should provide the opportunity to update this remit to make it fit for purpose in a multi-media, non-linear age. This should include a stronger digital element to S4C's remit and empower it to create digital content beyond that which is merely ancillary to TV content.

S4C will also seek a relaxation of the statutory constraints on S4C's commercial activities which do not involve any use of public monies.

Following the Communications Act 2003, S4C amended its Terms of Trade, in light of Ofcom's revised Code of Practice, to enable content producers to retain ownership of content and to have the opportunity to generate secondary and commercial revenues from their catalogues. In the period leading up to the Communications Bill, S4C wishes to engage in discussions with producers and other rights holders since it appears, after seven years of operating under these Terms of Trade, that there has been limited commercial exploitation of the secondary rights in content funded by and licensed to S4C. S4C wishes to discuss with the production sector whether more creative ways of sharing and exploiting rights could exist. The disadvantage of the current Code of Practice and the Terms of Trade which derive from it is that they limit S4C's ability to fully exploit, for the benefit of viewers, content which it has already fully funded. The Communications Bill should address this issue.

Key Theme 3 - The opportunities for new media business models to be built in Wales.

S4C has announced its intention to launch a Digital Fund to invest in content and development. The scope of this fund and the criteria on which funding from it will be based will be announced following the consultation on the New Media Forum report referred to above. The intention, however, is to release £1m per annum from S4C's commercial reserves for the next four years, over and above that which is allocated to the statutory service, to support a range of new media projects. There will clearly be opportunities here to form links with Welsh Government-supported initiatives, resulting from the priority which has been given to supporting and developing the creative industries in Wales.

Though not a "new media" business model, it is worth referring here also to S4C's new co-production television fund. The fund will be operated through one of S4C's subsidiary commercial companies on a commercial basis and will be worth £4 million over four years. The funding comes from S4C's commercial monies and is additional to its programme budget. The fund will invest in:

- Co-productions to be broadcast on S4C.
- Co-productions for S4C which are co-financed.
- Content or formats for S4C which have commercial potential.
- Marketing S4C content or brands and associated characters.

The fund aims to create a profit to be reinvested in content. It will attract additional funding from different sources for content and will encourage production companies to be more competitive.

Though S4C's income from advertising has decreased substantially after the loss of Channel 4 programming, its commercial arm is investigating the potential for increased revenue from a stronger relationship with local advertisers and from online commercial opportunities.

Key Theme 4 - What the Welsh Government is doing to implement the Hargreaves report recommendations and what other steps could be taken to strengthen the media in Wales in terms of content and plurality of provision.

Professor Hargreaves made several recommendations in his report regarding the role S4C can play in complementing the Welsh Government's creative industries strategy. It notes that S4C could incentivise companies to co-operate internationally and also take part in a new digital investment fund. The creation of the two new funds, Digital and Co-production, outlined above are a direct response to the Hargreaves report.

The report calls on S4C, the BBC and Channel 4 to conduct annual reviews of their economic impact. S4C commissioned a report by DTZ/Cardiff University's Wales Economic Research Unit of its economic impact between 2007 and 2010. It showed that S4C supported more than 2,100 full time employees in the creative and related industries in Wales. The full report can be found at http://www.s4c.co.uk/abouts4c/corporate/e_econrep.shtml

Professor Hargreaves also called for a timetable for public discussion between S4C and the National Assembly for Wales, and suggested the appropriate committee take evidence and that there be regular meetings between the Chief Executive and the Creative Industries Board. S4C recognises the complexity of discussion on matters which span devolved and non-devolved areas and seeks to ensure an appropriate and continuing level of engagement with the National Assembly, the Welsh Government and Welsh Government-sponsored bodies. The aim is to maximise the cultural, economic and linguistic impact which can be generated as a result of the statutory broadcasting and other activities, for which S4C is accountable to Parliament. The Chair and Chief Executive of S4C meet Welsh Government ministers and officials regularly. There are bimonthly meetings between S4C officials and the creative industries unit to discuss areas of mutual interest and co-operation. Other avenues may well be developed as new partnerships are formed. S4C welcomes the increasing interest taken by the National Assembly and the Welsh Government in the media and wishes to contribute fully to an understanding of the issues. For example, S4C looks forward to contributing to the impact study to be carried out by the Department of Business, Enterprise, Technology and Science on the contribution of the BBC and S4C to the creative industries of Wales and the potential impact of any changes to their funding arrangements.

The Hargreaves Report calls on the Department of Media, Culture and Sport (DCMS) to conduct a review of S4C which would require the S4C Authority to ensure the best possible economic impact of its activities consistent with its cultural and public service aims. The Secretary of State has already indicated that a review of S4C's strategy and finances will be conducted prior to the end of the period covered by the current Comprehensive Spending Review. S4C welcomes the opportunity this will provide for a widespread debate on the issues in question. It also notes the opportunities for public involvement in consideration of related issues which will be provided, firstly, by the public consultation on the Agreement recently arrived at between the S4C Authority, the BBC Trust and the DCMS, and the subsequent public consultation on the terms of the Operating Agreement between the BBC Trust and the S4C Authority, which will be developed in partnership by the two organisations before being set by the Trust prior to the funding from the licence fee being made available to S4C in 2013. This Agreement will then run until 2017.

Professor Hargreaves also called for Channel 4, the BBC and S4C to ensure that an appropriate amount of digital interactive media was produced in Wales. It is likely that S4C's commissioning for digital content will follow a similar Fair Trading Policy to that which applies to other content. Though there is no quota for Wales based commissions, it seems highly likely that content in the Welsh language which reflects the heritage, culture and everyday life of Welsh communities will primarily be produced by companies based in Wales.