

1. Introduction

- 1.1. The Institute of Welsh Affairs is keen to respond to the Culture, Welsh Language and Communications Committee's inquiry into S4C in advance of our Media Summit on 29 March 2017 and the forthcoming DCMS Review of S4C. We address the issues specified by the Committee and we strongly advocate that the review include both an assessment of the performance of the channel's core service and independently assessed audience opinion of the service. Exclusion of such assessments is not in S4C's best interests. Rigorous and independent analysis, using a range of measures, undoubtedly is. An effective review should consider issues such as hours of programming, repeat levels, peak and off-peak audiences, behaviour in mixed-language families, sub-titles, children's segment performances, fluency levels etc.
- 1.2. S4C is not an end in itself, but a means (one of several) to the achievement of a comprehensive media service for Wales. The channel's creation was an act of idealism, pragmatism and imagination and the same qualities are called for regarding its future. The time for 'defending' S4C has passed. Open, bold development is needed now along with an approach that sees the channel in its various contexts, including the European and the global.

2. Funding and Economic Impact

Funding

- 2.1. Television production, particularly for cost intensive genres such as drama, requires long-term planning. It is difficult for a broadcaster to carry out this work if its core finance is dependent on ad-hoc or annual ad-hoc decisions, as appears to be the situation currently with the element of funding received by the S4C Authority from the DCMS. Financial certainty is needed for S4C to fulfil its creative and public service remit adequately.

- 2.2. With this in mind, we believe that the forthcoming DCMS review must address the need for the development of a new, stable, independent funding formula that should be protected from political interference. This formula would, in our view, accord with the Secretary of State's existing duty, under the Public Bodies Act, to secure 'sufficient funding' to enable the S4C service to be provided.
- 2.3. We hope the Review will consider the need to further liberalise the regulation of S4C to enable the broadcaster to develop new commercial opportunities and increase its commercial revenues. Currently, only a small proportion (around 2.5 million¹) of S4C's income is derived from commercial sources. In our opinion, the review should consider how this element of S4C's total revenue could be increased at a time of difficult trading conditions. Other elements for consideration are the performance of, and trend in, advertising, co-production and distribution income, and the approach to international markets.

Economic Impact

- 2.4. S4C has had a considerable impact on the creation and the development of the independent sector in Wales². The vast majority (81.5%) of S4C's public service fund continues to be spent on programme commissions³ and competition within the independent sector has, arguably, created conditions under which originality and creativity have flourished⁴. However, the review provides an opportunity to assess whether the balance between producer and broadcaster rights is appropriate.
- 2.5. Recent studies have shown that S4C has a significant impact on both the Welsh economy and the locations where programmes have been produced. The broadcaster also has a significant fiscal impact in terms of Treasury tax revenue, with total direct and indirect tax contributions

¹ 2015/16 S4C Annual Report page 111

² 1981/82 S4C Annual Report

³ S4C Annual Report 2015/16

⁴ Our 2015 Media Audit noted that S4C commissioned programmes and content from a total of 65 independent production companies during 2014/15. However, this total increased to 87 companies in 2015/16 (S4C Annual Report, 2015/16)

created by core S4C activities amounting to £39 million a year⁵. In our view, funding allocated to S4C should therefore be considered in terms of an economic as well as a cultural investment.

3. Statutory Remit

Need for Change

3.1. S4C's statutory remit, set out in the 2003 Communications Act, places a duty on the S4C Authority to ensure that the S4C Digital television service provides a broad range of high quality and diverse programming, with a substantial proportion consisting of Welsh language programmes⁶. The remit emphasises that S4C Digital is a television service and in our view this is outdated. It should instead require S4C to be a multi-platform content provider that can react to today's multi-device demands and gain the greatest possible value from its TV productions.

Maintaining a Holistic Perspective

3.2. In addition, S4C must be seen as part of total media service to Wales. Such a holistic perspective is essential if media provision in Wales is to mature and flourish, with both the country's main languages in partnership. This will mean robust recognition of the financial cost of the Welsh language television service. The national service licence for the BBC in Wales, which the IWA has recommended, has been adopted and will be a useful accountability tool. It is inevitable that resource-intensive partnerships between English language and Welsh language output will mean that monies will be spent 'across' both languages and need not be one at the expense of the other. This can be managed positively, but it must be recognized as an issue and planned for.

S4C's relationship to other providers

3.3. In seeking to encourage S4C in the multi-platform direction, the relation must be borne in mind between the channel and other Welsh language media providers, press and online, and also radio. Given acknowledged problems in plurality and journalistic resource the role of

⁵ S4C Annual Report 2015/16, p67

⁶ Part 2, Schedule 12, 2003 Communications Act, Section 3. The act sets remits for both S4C (the former analogue service which also carried Channel 4 programmes and S4C Digital).

S4C in relation to these other platforms also needs to be considered. In our view the overarching aim of the review should not primarily be the survival or fate of S4C, but the healthy future of the people of Wales through good stewardship of the country's languages, culture and media.

S4C as a digital leader

- 3.4. Could there be an opportunity here for S4C as an institution, to take a leading role in the development of digital creativity and skills in Wales? This could be a similar role to that of the BBC when it was tasked with digital switchover. There is currently no institution in Wales (outside the Welsh Government) with a lead role in supporting the infrastructure for Welsh-medium digital delivery, from up-skilling existing content producers to effectively exploiting digital rights and multiplatform opportunities, right through to playing a genuine social role in working with arts, education and NGOs.
- 3.5. Welsh-speakers could be provided with the kind of digital skills and business knowledge that would enable Welsh language and bilingual content to be monetised, thereby making a significant contribution to the Welsh economy. In this context, we acknowledge the realities of Brexit and its potential impact on the sustainability of international film and TV production involving producers from Wales. The Welsh Government's aim of securing a million Welsh speakers is also a key driver. Such an initiative could, for example, be developed in partnership between the Welsh Government and S4C.
- 3.6. The Welsh Government has already been involved through various initiatives in the development of Wales' creative industries and it is worth noting the role governments in the Nordic countries, particularly Denmark, in promoting their own indigenous drama production⁷.
- 3.7. S4C has already attempted to innovate in the digital space, through the creation of a digital development fund to commission content and production of digital-only (i.e. non-broadcast), with services such as

⁷ JENSEN et al, highlights the experience of 'minority language' Nordic countries in global success, noting the role that governments play. This article has also been brought to the Committee's attention as an example of positive governmental engagement.

Pump, aimed at young people. Liberalisation of the remit would enable S4C to continue to work in this area and develop new services, without the requirement to ensure that the bulk of its output is broadcast on TV.

- 3.8. But such changes to the remit require careful definition and decisions as to the amount of funding that would be diverted to these functions. It would also require boundary definitions as the areas of language promotion policies are ones in which the government is the prime mover

4. Governance and Accountability

- 4.1. Government, Regulation and Management of S4C must be carefully distinguished.
- 4.2. Only an institution with its own independent form of governance can function effectively and fairly in dealing with a plural supply of programming from independent companies and the BBC. With the possible development of S4C as a digital content commissioner as well as a broadcaster, there will potentially be an even greater range of content providers to be required in the future.
- 4.3. As the only Welsh language television channel, S4C's cultural and social impact continues to be central to life in Wales and it should continue to sustain meaningful partnerships with Wales' key cultural events and its national institutions. It will also play a crucial part in the future of the Welsh language.
- 4.4. There are major questions to be addressed concerning the right structural model for S4C in the future. These require extensive research. The immediate issues on governance are the implications of the creation of a BBC unitary board and the role of OFCOM.
- 4.5. There will be a process for reviewing the BBC's performance in delivering the terms of the national licence for Wales. Will there be a parallel process to assess S4C's delivery of its own remit? Will Welsh Government's Media Monitoring body or forum be obliged to lay all its reports before the Assembly? Transparency counts. This body could also have an important role in relation to the provision of all media

qualitative data for Wales, possibly providing an independent, source of performance assessment to the data provided by the broadcasters in Wales, including S4C. We strongly recommend clarity and transparency in the workings of all governmental bodies and advisory panels.

- 4.6. There are no proposals within the current Wales Bill for devolution of broadcasting. The issue raises complex, multi-layered issues relating to spectrum and telecommunications as well as broadcasting. It is a long-term aim. For example, the future balance of UHF spectrum allocation between digital terrestrial television and mobile voice or data is a matter that will have to be settled on a UK /Europe wide level. Regulation of these sectors is carried out primarily by Ofcom and its responsibilities are being extended, as part of the charter renewal process, to cover responsibility for the BBC from April this year. By contrast, S4C retains its own Authority, which acts as both a regulator for the service and as its governing body. After April, S4C will in effect, be the only public service broadcaster that will not be fully regulated by Ofcom⁸. Could S4C adopt a unitary board and be regulated by Ofcom?
- 4.7. The review could also consider whether there should there be greater symmetry between the arrangements for the BBC and S4C, and what the benefits might be of dividing S4C management from the S4C Authority, rather than giving S4C a unitary board. Given that there was near-consensus about the need to increase the distance between the BBC Trust and BBC management, might the same argument may apply in this case? Further research is needed. In our view, while the broader point about the devolution of responsibility for broadcasting from the DCMS to the Welsh Government is not being considered by Westminster within current draft legislation, it seems likely that the DCMS review will consider the future governance arrangements of the service.
- 4.8. In the case of the BBC, there should, for example, be clear lines between Ofcom's regulatory draft legislation, it seems likely that the DCMS Review of S4C will consider the future governance arrangements for the service. One factor to consider is the funding currently provided by the

⁸ Schedule 12 of the 2003 Communications Act sets out areas, for example in setting quotas for news and current affairs output, where Ofcom has regulatory responsibility in relation to the S4C Authority.

DCMS to the S4C Authority. It is unclear if this sum could be 'Barnetised' in any negotiations to transfer responsibility for S4C from Westminster to Cardiff Bay.

Diversity

4.9. In our 2015 Media Audit we expressed concern about S4C's decision to no longer monitor its staff composition and diversity issues across the companies that it commissions. More recently, the public service broadcasters are in the process of adopting Project Diamond (Diversity Analysis Monitoring Data) which aims to create a common standard in reporting diversity data. It was developed by the Creative Diversity Network, with the BBC, ITV, Channel 4, Sky, Pact and Creative Skillset, although it does not include S4C currently.

4.10. S4C's role in worker welfare and in the training of the workforce, both at university and professional levels, might legitimately be considered also.

5. Relationship with the BBC

5.1. S4C's relationship with the BBC will continue to be crucial. In recent years, both the Strategic Partnership and the Operating Agreement have been central to the way the BBC has worked with S4C. In our view, both appear to have worked well over the past few years and looking to the future, it is vital that new agreements are reached covering the BBC's statutory supply and its operational arrangements with S4C, which continue to ensure value for money for licence fee payers whilst protecting S4C's independence as a Welsh language public service broadcaster.

5.2. With the new BBC charter coming into force and the creation of a new Unitary Board for the BBC, the future relationship between the Corporation and the S4C Authority will need to be considered very carefully by the DCMS Review. The very different roles of the BBC's Unitary Board and the S4C Authority will require a new mechanism to avoid any future conflicts of interest and in our view, consideration of this new working relationship will be a key issue for the DCMS Review.

6. Visibility

- 6.1. There may be opportunities to increase the prominence of S4C's Gwyllo/View app (video on demand), for example, on new platforms and services. This is essential in order to appeal to a wide audience and, critically, to engage younger viewers.
- 6.2. The inclusion of S4C's programmes on the BBC's iPlayer service has provided significant visibility for S4C's output on platforms and services, for example smart TVs, where it would not be able to have a presence without the BBC's commercial scale and influence. However, S4C does not receive any income for carriage of its programmes on iPlayer.
- 6.3. Our 2015 Media Audit noted the 'gatekeeper' role that set manufacturers and digital service providers have in relation to the need to secure prominence for public service content. Providing prominence on electronic programme guides, where for example in Wales, S4C has slot 4 on Freeview, is a key way to support the production of these services in the digital age. However, the provision of apps on smart TVs provides a way to circumvent the EPG, taking viewers directly to their content of choice. This has serious implications for all content from Wales, including that provided by S4C.
- 6.4. It is disappointing in our view to note that the current Digital Economy Bill, working its way through Parliament, has not attempted to tackle this key issue.

IWA Media Policy Group
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