

Introduction

- 1) Pact is the trade association that represents the commercial interests of the independent television, film, digital and children's & animation production sector in the UK.
- 2) Pact has around 500 members across the UK, including in the nations and regions, with around 20 companies based in Wales with a combined turnover of around £37m. Pact members make programmes for a range of broadcasters in the UK and internationally, including for BBC, BBC Cymru Wales, Channel 4 and S4C in both the English and Welsh languages.
- 3) The UK independent television sector is one of the biggest in the world. Independent television sector revenues have grown from £1.3 billion in 2005 to around £3 billion in 2016.¹
- 4) UK TV exports are also a success story; international revenues from the sale of UK TV programmes and associated activities have risen by an impressive 10% over the last year to £1.3 billion in 2015/16².
- 5) Pact's vision for an independent sector in Wales is one that is diverse and sustainable and continues to secure investment in both Welsh and English language programming into the future. S4C as a publisher-broadcaster investing in Welsh Indies is an important part of the broadcasting ecology in Wales; sustainability and continuity in its funding is important. S4C also has an important role in driving international and sustainable growth in Wales too.
- 6) For further information, please contact Pact's Director of Nations & Children's, Rosina Robson, at rosina@pact.co.uk or on 020 7380 8248.

¹ Pact Census Independent Production Sector Financial Census and Survey 2016, by Oliver & Ohlbaum Associates Limited

² UK TV Exports Report 2015/16 a collaboration between BBC Worldwide, ITV Studios and Pact

Inquiry questions

Pact's headline points in response to the key themes of this inquiry are:

- Funding: It is important to ensure continued levels of funding to S4C so that it can continue to commission content and support the creative and wider economy in Wales.
- Remit: Pact underlines the continued importance of S4C's role as a publisher-broadcaster with 100% of programmes commissioned from external suppliers. An equally important part of this is independent producers being able to own and exploit these rights at home and overseas to allow them to maximise revenues, reinvest in content and build sustainable businesses.
- Driving international revenues: S4C should commission as far as possible in a way that helps drive exports and international revenues in Wales through programmes that are attractive to both audiences in Wales and globally.
- Governance: whatever form of governance structures the Government Review decides on, the key principles of fairness, accountability and transparency should be met.

1. What sufficient funding for the channel looks like? For example, who should provide it, and how should it be calculated – should it be linked to a formula? How should this be supplemented with revenue raised by S4C?

1.1. Pact supports the maintenance of current levels of funding for S4C into the future. S4C is an important part of the broadcasting ecology in Wales and should be guaranteed a certain level of investment for its longer term sustainability.

1.2. Analysis carried out by Arad Research in 2014/15 concluded that for every £1 invested by S4C in the economies of Wales and the UK created a total value of £2.09. According to the study, S4C's investment of £83m generated a total economic impact of £170m across the UK. Pact underlines that investment in S4C offers a good return to the economy and to Welsh speakers who make up around 20% of the population in Wales.

- 1.3. Pact is aware that the BBC Trust agreed in September 2016 for S4C's funding to be fixed at its current level of £74.5m until the end of the current licence fee agreement in 2022. There is a case for extending the terms of this agreement to the end of the current BBC Charter period in 2028. This funding is in addition to the statutory 10 hours per week of programming currently provided by BBC Cymru to S4C.
- 1.4. Over recent years, S4C has felt the impact of budget cuts in a similar way to the BBC. Overall spend on programming for S4C was £91.5m in 2012/13. BBC contributed £76m to the funding of S4C in 2013/14 falling year on year to £74.5m in 2016/17. DCMS also continues to provide funding of £6.7m to S4C but this has not been confirmed beyond 2016/17.
- 1.5. The remaining 2% of funding comes from S4C's advertising revenue and commercial activities; Pact believes there is a case to make S4C even more open to international sales in the future which we will expand on, in response to question 2.
- 1.6. We recognise that S4C has faced a real terms cut of 36% in funding since 2010/3 compared with BBC Cymru Wales has dealt with a real terms cut of 16% of funding spread over five years. In light of recent announcements signalling an extra £8.5m per year by 2019/20 to BBC Wales, an additional £30m for a new channel in Scotland and £1.2 additional spend for MG Alba we believe there is a case for the Government Review of S4C to consider adequate funding for S4C in the future including for digital and multiplatform projects.
- 1.7. Pact is clear on the fact that maintaining both investment in Welsh and English language programming in Wales is crucial for the full diversity of audiences in Wales being represented on screen. We will continue to emphasize the importance and success of the S4C publisher-broadcaster model in commissioning from external suppliers and the important role of independent production companies in continuing to provide deficit financing.

³ Institute of Welsh Affairs, Wales Media Audit, December 2015

2. What S4C's statutory remit should be. Is its current remit fit for a contemporary broadcaster, and if not, how should it change? How should it reflect the digital role of a modern broadcaster?
 - 2.1. S4C has broadly fulfilled its public service remit over the last few years and delivered on '*the provisions in the Communications Act 2003 "providing television programme services of high quality with a view to their being available for reception wholly or mainly by members of the public in Wales."*
 - 2.2. Pact strongly advocates the continuation of S4C's status as a publisher-broadcaster commissioning 100% of programmes from external suppliers. As has been demonstrated, this successful model of rights exploitation has brought clear benefits to S4C, viewers, production companies and the wider economy in Wales. Pact strongly refutes the claims that Ian Jones, Chief Executive at S4C made during his evidence session to the Committee in the Welsh Assembly on 2 March, suggesting that where Indie suppliers do not use their rights, that they should be given back to S4C.
 - 2.3. Pact has consistently demonstrated and most recently in its defence of the Terms of Trade framework over the last year, that this regime of producers owning and exploiting their own rights is highly effective. The UK Government confirmed in 2016 that the Terms of Trade regime continues 'to be effective and play a key role in supporting a diverse and vibrant production sector'.
 - 2.4. Pact supports S4C's call to update its remit to ensure that changes in technology and digital capabilities are factored in to make sure that it can reach the full breadth of its audience, including younger viewers, through the range of ways in which they consume content. We also recognise that S4C continues to be an important buyer in the children's content production space and welcome any steps that would support investment into a range of different types of content in the future.
 - 2.5. Amendments to the remit should also take into account the fact that 40% of S4C viewers access the content from outside Wales and the geographical location of the audience should be factored into the remit also. Pact recognises the positive work that S4C has done in the digital space, publishing a digital strategy setting out how it links with online platforms, despite the restrictions imposed by its statutory remit.

2.6. S4C remains a significant intervention in Wales. Pact has argued the case before that S4C could do even more to encourage companies in Wales to internationalise by commissioning content of interest to both audiences in Wales and other territories and engaging in international coproduction. This will help drive further revenues for S4C and continue to create a sustainable production centre in Wales. Pact encourages S4C to develop an export led strategy for S4C to encourage Welsh Indies to make programmes that will sell well internationally.

3. What governance and accountability structures S4C should have in place. For example, should responsibility for S4C be devolved to Wales?

3.1. Pact tends not to get involved in commenting on the detail of governance and accountability structures for S4C which are matters for the Government Review on the topic. S4C should however maintain its independence as a broadcaster from both BBC and government and be transparent in its governance and accountability. Fairness, transparency and accountability should be the core principles of any governance structure.

3.2. The Government Review should consider whether the S4C Authority model is still fit for purpose or whether the creation of a unitary board similar to the BBC's new governance structures would be appropriate. There would need to be consideration how S4C remained independent of the BBC and for example whether or not the non-Exec Director for Wales on the BBC unitary board has any access to S4C Authority meetings in the future. S4C and BBC will need to work together on new partnership working arrangements in light of the new BBC governance structure, with communication and oversight by Ofcom.

3.3. In line with the BBC, Pact supports the move for S4C to make its annual report and accounts available to the National Assembly of Wales to ensure accountability and be available to take part in inquiry sessions by Welsh Assembly Committees as required. It is important that it also retains its independence from political structures including the devolved assembly in Wales.

3.4. Pact is not in favour of devolution of oversight of S4C to the Welsh Government. If DCMS is still providing funding then it would seem appropriate for them to retain oversight of the performance of the channel.

4. What S4C's relationship with the BBC should look like

As previously suggested, under new governance arrangements, BBC and S4C will need to consider how their partnership working arrangements will be configured in light of the new BBC governance framework.

- 4.1. The BBC currently supplies 10 hours a week of programming to S4C in addition to the funding from the licence fee; this largely constitutes news and current affairs but also sport and Pobol Y Cwm. Pact understands that Pobol Y Cwm will initially be made by BBC Studios, the new BBC production arm in Wales and then go out to tender at a later date. Pact welcomes early information as to when this programme will be put out to open competition to the wider production sector.
 - 4.2. Pact understands that S4C will sit across two main sites in Caernarfon and in Cardiff city centre when the new BBC building opens in 2019. The BBC is planning this to be an open building and will trial access passes for Indies which we think will be a positive catalyst for innovation within the independent production sector. This will give Indies fair access to both BBC and S4C commissioners alongside BBC Studios.
 - 4.3. S4C and BBC should continue to coproduce dramas like Hinterland and other genres that have the potential to sell well internationally. This is a model that should be replicated as far as possible to encourage the growth of international sales and sustainable businesses in Wales. As previously explained, Pact is wary of S4C moves to take a stake in rights that have previously sat with producers and been effectively exploited.
- #### 5. The visibility of S4C: covering issues such as S4C's prominence on the electronic programme guide and smart TVs.
- 5.1. On the whole, we believe that the existing regime works well. Any potential change to the PSB compact would need to be considered as a whole, looking at all of the PSB benefits and the associated obligations which each channel holds as part of its Ofcom PSB licence. We have not had access to sufficient evidence so as to enable us to quantify whether updating the existing regime to reflect technical innovations would have an impact on their ability or desire to invest in content and services in the longer term, this includes any moves to raise the visibility of S4C via EPGs and smart TVs.