



CYMRU WALES

13th March 2017

Bethan Jenkins AM
Chair
Culture, Welsh Language and
Communications Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Dear Bethan,

**The Big Picture – Culture, Welsh Language and Communications
Committee’s Initial Views on Broadcasting in Wales**

Thank you for the opportunity to respond to the committee’s initial views on broadcasting in Wales and to the two specific recommendations that pertain to ITV.

As is clear from the report, broadcasting continues to make an important contribution in the life of our nation. We are proud to be a Public Service Broadcaster (PSB) in Wales, providing, as we do, the only independent, trusted alternative to the BBC’s news and current affairs - one that is universally available, free to viewers and which comes at no direct cost to the taxpayer.

Channel 3 Licence for Wales

We are now in the third year of our ten year licence, delivering on the obligations set by our regulator Ofcom and so providing a degree of certainty around independent news provision for viewers and policy makers alike. The report outlines many of the challenges facing all the PSBs in Wales, including the impact of the reductions in budgets and original programming. Against this backdrop, budgets for ITV Wales PSB programming - and the volume of our PSB production - have remained stable for the last seven years at 286 hours of news and programming each year.

ITV Cymru Wales, 3 Assembly Square, Britannia Quay, Cardiff Bay CF10 4PL

It is clear that ITV's PSB contribution is valued by viewers in Wales. In 2016, share of viewing (SOV) for our flagship news programme, *Wales at Six*, increased by 14% - or by 2.8 percentage points - to 22.6%, the seventh consecutive year of increase. The programme focuses on the national agenda in Wales, with specialist correspondents covering the key devolved policy areas. Recent highlights include our Ford engine plant exclusive; detailed coverage of the winter crisis in Welsh health care; and a special series of reports looking at the challenges and rewards of life in the South Wales Valleys.

The programme is broadcast as a national service across Wales and now regularly attracts 200,000 viewers on weeknights. In a wider context, *Wales at Six* is now the 5th highest performing 6pm news programme of the 14 Nations and Regions services on the ITV Network. In 2016 it had a weekly reach of 516,000 individual viewers, up by 7.5% year-on-year. By contrast, when looking at other sources of commercially funded news in Wales, no London based daily newspapers have a Welsh edition; the daily circulation of the Western Mail is around 15,000 and the weekly reach of Nation Radio in Wales is around 150,000 listeners.

Since the end of the analogue era in 2012 there has been an explosion of choice in broadcasting with a myriad of commercial channels now available to audiences across Wales with rapidly increasing content provision, of all sorts, online too. It is a fact that none of these commercially funded channels make or show any programmes specifically for audiences across Wales - except ITV Wales. It is in this context that our PSB obligations for 90 minutes of programming outside of news each week - all made in Wales specifically for audiences across Wales - should be seen. It is a vitally important contribution to PSB in Wales.

Programme Strategy

When it comes to our PSB programming, we believe that our public purposes in Wales are best served by a strategy that secures the largest possible audience for the widest possible range of the high quality programmes that we make outside of news.

Within the budgets that we have we also look to maintain a broad range of different series and programmes each year to reflect the widest possible vista of life in Wales. In 2016, well known current affairs programmes such as *Wales this Week* and our political programme *Sharp End*, were complemented by a total of 24 different series and individual programmes that were produced by ITV Wales and by independent producers in Wales in 2016.

To illustrate the success of our strategy to maximise audiences for our PSB programming, in the week beginning February 27, our award winning current affairs programme *Wales This Week* returned to Welsh screens with a new series at 8pm on Monday night with an overnight audience of 171,000 viewers. By contrast, its BBC Wales rival, which was scheduled after the BBC Ten O'Clock News, attracted

83,000 viewers, whilst the S4C equivalent programme attracted 15,000 viewers. We will continue with this strategy in 2017.

Strengthening what we do

In the first year of our new licence term we secured the additional investment needed to launch our HD channel - ITV Wales HD - across DTT, satellite and cable platforms in Wales. This ensured the best possible viewing experience for ITV Wales viewers whilst maximising audiences for the PSB content that we produce.

2016 also saw significant new investments in the ITV network schedule which brought direct benefits to viewers in Wales.

Outside of our licence obligations, ITV's partnership with the BBC in 2016 secured universal coverage of Wales in the 6 Nations Rugby Championship on free-to-air television. As committee members will know, national sport is intrinsically linked with our culture and how we see ourselves as a nation. The share of viewing for ITV's coverage of Wales v Italy on February 5 for example, was 40 percentage points ahead of the network average for the same slot.

Even when Wales aren't playing in a 6 Nations game, it is not uncommon for the audience share in Wales to be significantly ahead of the ITV network average. International football matches attract a similar loyalty from television viewers in Wales. Indeed, ITV's coverage of Wales in the semi final of UEFA Euro 2016 finals set a new peak audience record for a live television programme shown in Wales (outside of the London 2012 Olympics) at more than 1.3m viewers.

Overall, ITV Wales had a strong year on air. Our all-time share of viewing for ITV Wales grew by 2.4% year-on-year - or by 0.6% percentage points - to 17.2%. In 2016, ITV Wales peak time SOV stood at 22.5%, less than one percentage point behind BBC Wales and nearly 3 percentage points ahead of STV.

Exceeding our minimum obligations

The obligations set by Ofcom are, of course, minimum obligations. Nevertheless, in 2016 ITV Wales exceeded both the minimum number of news and 'non news' minutes that we were expected to produce. This included our live seven-hour overnight results programme of the National Assembly Elections. This important, high cost programme was made over and above our minimum licence commitment in 2016.

In its report, the committee drew attention to a statement made by the Institute of Welsh Affairs in its 2015 Welsh media audit that the reduction in our 'non news' provision in Wales was 'in sharp contrast to the independently owned ITV service (sic) in Scotland which has actually increased its output'.

Of course, two of the three C3 licences covering Scotland are operated by STV plc, a separate company from ITV plc. I should also point out that following publication of that statement, the IWA clarified it to make clear the output figure it was referring

to for non-news in Scotland not only included the C3 licences held by STV, but also the two Local TV licences it held covering Central Scotland. As committee members may be aware, these Local TV licences cover the greater Glasgow and Edinburgh areas and - in themselves - roughly cover the equivalent population of Wales, thus providing economies of scale that cannot be replicated in Wales.

Indeed, each of the constituent nations of the UK are different from each other - economically, politically, culturally, linguistically - and it is perhaps not surprising that different solutions for delivering PSB programming have evolved in each. It is our understanding that in Scotland much of the 'non-news' obligation is achieved through a late night, current affairs magazine programme running across the majority of weeknights. We believe our strategy to offer audiences a greater variety of programmes, with the majority being shown in peak time before 10pm, is working for viewers in Wales within the context of our particular licence obligations.

The value of the PSB Status

Some committee members are clearly frustrated that ITV Wales does not make more programming specifically for audiences in Wales. Whilst, the reasons for this situation have been well documented and are well known, for completeness it is perhaps useful to restate them here.

Of course, ITV Wales is a PSB but it is important to recognise that the value of access to the spectrum and appropriate prominence on EPGs in Wales - and so with it the value of our stand alone Wales licence - is worth far less now than it was in 2003 when the Communications Act was passed. Ultimately, political decisions have been taken in the UK to favour competition and choice in broadcasting which has made it harder to continue to deliver the public benefits which used to be afforded by actual or quasi monopolies of advertising revenue under the analogue system. We now face colossal and increasing competition for viewers and revenue in TV and online and the benefits we receive from PSB status are now very limited - a fraction of the benefit in the days of analogue TV.

This is the reason why we are unable to match the PSB provision we offered 9 years ago. Today in Wales, there are some 60 television channels available on Freeview alone and hundreds more on satellite television which, in itself, is the platform of choice for 53% of households in Wales. Indeed, 73% of viewers in Wales can receive our free-to-air ITV channels - ITV2, 3 and 4 - which carry no PSB obligations.

Against this fragmentation of the audience to competition, the benefits to the main ITV channel of being a PSB in Wales - broadcasting spectrum and the backstop guarantee of appropriate prominence on linear Electronic Programme Guides (EPGs) in Wales - brings with it the significant costs of the PSB obligations that are in the Wales licence. In this context, it is perhaps worth mentioning that ITV already spends more than two-and-a-half times more per head on content specifically for

Wales (both news and 'non news' programmes) than we do for equivalent programming in the English regions.

As Ofcom effectively concluded at the end of the last PSB review and in the context of the renewal of the Channel 3 licences three years ago, there is no surplus value in the PSB licences which could be used to justify additional PSB obligations on the Channel 3 licence holders. In other words, in return for the limited PSB benefits we receive now, we are already providing the maximum affordable PSB contribution, most particularly in the form of nations and regions news.

In its 2013 regulatory statement Ofcom set out its conclusions as to the appropriate level of our programming obligations for the new licensing period (and which resulted in a stand alone Channel 3 licence for Wales for the first time):

"Ofcom acknowledges that PSB obligations have been reduced in recent years, as a result of the declining value of PSB status. We explained in our consultation that we believe the current level of obligations will remain sustainable over the course of the next licence period. Having examined financial data made available by licensees and carried out our own analysis, we said in our report to the Secretary of State that, in respect of PSB obligations generally, we considered that their contribution to the fulfilment of public service purposes remains a sufficient contribution when set against regulatory interventions (in particular regulatory assets) which they receive."

"While we understand the desire of some respondents to see an increase in PSB obligations, none produced evidence that would enable Ofcom to conclude that a significant increase would be sustainable."

"Although a number of respondents advocated the enhancement of PSB obligations, Ofcom does not consider that the arguments or evidence that were advanced in response to the consultation undermine the reasoning set out in our consultation nor provide sufficient grounds to reach a different view."

Of course, ITV's overall commercial success is not limited to its PSB fortunes in Wales. ITV is now a global business: a successful integrated producer-broadcaster, operating the largest commercial family of channels in the UK. In addition to commercial broadcasting on our channels, we deliver our content on demand through numerous platforms, both directly and via the ITV Hub. Through ITV Studios we produce content for both our own channels and third parties in Wales, in the UK and increasingly overseas. Our distribution business sells finished programmes and formats worldwide. This scale of operation and the commercial success it brings would still be true if we did not have PSB status in Wales and instead made all our channels available commercially in Wales.

Ultimately, in Wales and elsewhere, ITV operates as a commercial business and we can only provide non commercial content pursuant to our obligations where we receive equivalent value in return.

If more obligations were imposed on us and those obligations had direct, or opportunity costs, to us we would have to consider where we would be able to make savings in other areas of our PSB output. Furthermore, arguably if any further obligations are to be imposed, they should be imposed on all players competing for TV advertising revenue in Wales, including YouTube and Facebook. Alternatively, they should be imposed only on players who are publicly funded or publicly owned.

Investing in production

Whilst we remain focussed on the high quality delivery of our licence obligations in Wales, we also have a track record for investment where we believe there will be a commercial return. Our multi-million pound broadcast HQ in Cardiff Bay, opened in 2014, is a part of that strategy; so too the launch of our HD channel and the recent strengthening of the ITV network schedule with Welsh national sport.

Producing programming for other broadcasters is a key part of the ITV strategy to diversify our sources of revenue beyond advertising. In Wales, as we are elsewhere, we are seeking to increase our volumes of production both organically and through acquisition.

Independent television in Wales has a proud tradition of producing programming in the Welsh language that pre-dates the creation of S4C. At ITV Wales we have competed openly with other producers in Wales to secure the commissions we have with S4C. Currently, our core output - *Y Byd Ar Bedwar*, *Hacio* and *Cefn Gwlad* - amounts to 2% of S4C's original hours largely in the important genre of current affairs, so providing plurality in the Welsh language. We have ambitions to do more and in 2016 we grew our sales through a new returning series *Y Detectif* and one-off commissions in factual and entertainment.

Network commissions and portrayal

A recommendation from the committee is for ITV Studios to adopt a more proactive approach to developing programmes featuring Wales for broadcast on the ITV network.

The committee's report acknowledged the recent steps ITV Wales has taken to secure commissions from the ITV Network and from other UK broadcasters. *Shiver Cymru*, a partnership between ITV Wales and ITV Studios, is at the heart of this new approach. Launched at the end of 2015, the label had its first network success with the single hour-long documentary *The Aberfan Young Wives Club* which marked the 50th anniversary of the disaster. The film was shown on ITV across the UK and has now been nominated in the History category of the 2017 Royal Television Society Programme Awards and in the Single Documentary category in the Celtic Media Festival.

Although programming on ITV needs to be both commercially and creatively successful there is no barrier to entry from any part of the UK. Ultimately, we believe the most successful schedule for the UK will come from operating a meritocracy of ideas sourced from right across the UK rather than quotas.

By its very nature, the ITV network schedule features Wales. ITV's coverage of the 6 Nations and Welsh football have already been discussed here. Auditions for the big entertainment shows - *Britain's Got Talent* and *X Factor* - are held each year in Wales. Many factual series, most recently *Robson Green's Tales from the Coast* in January, have featured Welsh locations and contributors. In drama, the second series of *Safe House*, by Welsh director Marc Evans, was filmed on location in Anglesey.

At ITV Wales we are keen for the vibrant independent production sector in Wales to contribute to the success of ITV network schedule and in so doing serve to further increase the portrayal of Wales on the network. Boom Cymru is not only a highly successful producer across numerous genres for S4C, it also produces many hours of programming for UK broadcasters, including ITV. It is hoped that now being an ITV Studios company, this will further strengthen its relationship with ITV network commissioners, providing more potential for the future.

Of course, ITV is open for business to all independent producers across Wales. We realise that we are competing for attention with the publicly funded broadcasters in Wales and each year production companies in Wales - along with companies from across the UK - are invited to meet with ITV's commissioners in London. We also facilitate 'meet the commissioner' events in Wales to increase the flow of ideas. As a result, there are currently a number of ongoing, productive conversations taking place between independent producers in Wales and ITV commissioners that might not have been the case a few years ago.

Accountability

The committee's second recommendation pertaining to ITV is to provide an annual update to the Assembly, through the committee, setting out information on the portrayal of Wales on our networks.

Whilst broadcasting is not devolved, we are pleased to assist the work of the committee. Over the years we have maintained a constructive relationship with the Assembly and Government in Wales.

As a lean, commercially funded broadcaster - one that is predominantly focussed on making programmes for its audience in Wales - it would be an impractical use of our available resources to provide a detailed annual log of all the portrayal of Wales on the main ITV channel. We would propose instead an annual, narrative update on portrayal on ITV as part of a wider update as to how ITV Wales is performing against its licence obligations.

I am grateful for your interest in ITV Wales and I hope committee members will find the additional information in this letter useful as they continue their important work.

Kind regards,

A handwritten signature in black ink, appearing to read 'Phil Henfrey', with a stylized flourish at the end.

Phil Henfrey
Head of News and Programmes, ITV Cymru Wales