

Advisory Committee for Wales: Response to Ofcom's third review of Public Service Broadcasting

Introduction

The ACW welcomes this review of public service broadcasting, and in particular welcomes the analysis of the market context in Wales, which identifies key differences which we believe need to be addressed separately and distinctly from the UK analysis as a whole, or indeed the market context in the other nations.

As a result of this consultation, we would like to see Ofcom reaching some specific conclusions and recommendations about Wales to meet the weaknesses in the system identified in the review. The UK is currently undergoing an evolving constitutional process, which – whatever the final outcome – will place greater importance on the democratic process at a Welsh level. It is vital that public service broadcasting in Wales can rise to that challenge.

Question 1: *Do you agree with our assessment of the context in which the PSB system operates, and how the trends identified might affect the PSB system? In particular, do you agree with our analysis of the independent production sector?*

The review suggests that current trends indicate an evolutionary path for PSB in the coming few years, with technological developments and changing patterns of audience behaviour creating significant challenges and risks to that evolutionary path. The ACW believes that the balance between these factors is different in Wales, with the challenges and risks looming larger here (see answer to Q3). Ofcom should ensure that its final report does not come to any conclusions which might seem appropriate to the UK as a whole but which might be irrelevant to – or have a negative impact on - the PSB system in Wales. It might therefore be more appropriate to look at the situation on the ground in all the different parts of the UK before reaching any pan-UK conclusions.

Question 2: *Have we identified the key differences in Northern Ireland, Scotland and Wales?*

Some of the key differences in the media ecology in Wales are included in the consultation document. We note in particular the reduction in broadcasting hours in the English language, and that the reduction in non-network spend by the BBC and ITV Wales between 2008 and 2013 was the biggest percentage decline in spend of any nation, at 33.2% a greater reduction than the average across the nations of 26%. It is a matter of concern that the review makes little attempt at explanation or analysis of this and other factors, even though some of the factors lay within the regulatory control of Ofcom. This suggests that more granular work needs to be undertaken and with a greater degree of transparency. It is also vital that sufficient importance is placed on programming made in Wales for Wales, as distinct from programming broadcast from London and receivable in Wales.

Questions 3: *Do you agree with our assessment that the PSB system remains strong overall?*

Question 4: *Given the resources available, to what extent is the system meeting the needs of as wide a range of audiences as practicable?*

Question 8: *To what extent do you agree with our assessment of the degree to which the non-PSB services play a role in helping to deliver the public service objectives? In doing so please set out your views on the delivery by the PSB portfolio channels, other non-PSB channels, on-demand and internet services and also radio services separately.*

Question 9: *How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system?*

Question 11: *Have we identified all the relevant ways in which the PSB system might be maintained and strengthened?*

The assessment that the PSB system remains strong overall may be true at a pan-UK level, but it is the view of the ACW that it is less true of Wales. The media ecology of Wales is considerably more fragile, with the print media in particular offering a significantly weaker challenge to the broadcasters than, for example, in Scotland. The reduction in hours and spend on English language programming over the last six years at BBC Wales and particularly at ITV Wales, has undeniably left the Welsh public with a more restricted range of programming to watch. The Director General of the BBC, Tony Hall, has acknowledged that the balance of BBC programming in Wales has shifted to focus on news and current affairs at the expense of other aspects of life in Wales. In addition, the budget reductions and future uncertainties facing S4C mean that Welsh language programming is also in a more parlous state than hitherto.

It is therefore the view of the ACW that the risks to a steady, evolutionary path for PSB are far greater in Wales:

- The dominance of the BBC in the Welsh media landscape is based on the number of hours of programming in English about Wales on TV (almost double the hours produced by ITV Wales) and on radio (Radio Wales). It is also based on the volume of programming in the Welsh language on Radio Cymru, the hours of TV programming it produces for S4C, and the fact that the bulk of S4C's funding now comes from the licence fee. This creates dominance by the BBC in Wales in two languages, which is greater in real terms than the dominance of the BBC at UK level. It follows that any reductions to the licence fee in the coming process of Charter Renewal may have a disproportionately adverse effect on the BBC in Wales. The BBC has a history of cutting at the perimeter before cutting at the centre, and the ACW calls on Ofcom to highlight the critical role played by the BBC in Wales.
- Ofcom and ITV have recently concluded a new ten-year licence for Channel 3, with, as part of that licence agreement, a commitment that ITV Wales produces four hours of news per week and 90 minutes of non-news per week. With a move to a new studio, ITV Wales appear committed to maintaining this output, but it is at a considerably lower level than six years ago. It is notable that on its HD service ITV

Wales still does not broadcast its Welsh news programme – switching instead to the Midlands. As penetration of Freeview HD enabled televisions increases, this could be a particularly difficult issue during the 2016 National Assembly elections, where viewers watching ITV 1 HD will not see news and current affairs programming about the campaign, unless they switch to the SD version of the ITV 1 in Wales. ITV is the only competitor to BBC Wales making programmes for and about Wales, so Ofcom must ensure that ITV provides a full service and is not permitted, as in the past, to make any reduction to the agreed level of programming throughout the ten-year licence. It would be helpful if Ofcom could include a statement to that effect in its final report.

- S4C has experienced a significant decrease in public funding since 2011, a reduction of 36% in real terms, following cuts in funding provided by the DCMS and the subsequent decision by government to move 90% of S4C's funding from the DCMS' departmental budget to the licence fee. S4C has had to make considerable savings in programme costs including closing its HD service Clirlun so that the S4C service is now only available in SD. In addition, there is continued uncertainty as to whether the government will continue to fund the remaining 10% of S4C's budget after 2017. Nevertheless, S4C remains the largest commissioner of programmes in Wales, a role vital to the independent production sector. The ACW requests Ofcom to recommend, at the very least, the maintenance of S4C's budget in real terms and calls on the government to end the uncertainty over its share of the funding for S4C. The ACW also believes it is vital that the Secretary of State at the DCMS takes account of his duty under Section 33 of the Public Bodies Act 2011 to ensure that there is sufficient funding for the S4C service, particularly during the future debate around the licence fee and BBC governance. It is also essential in our view, in the interests of plurality, that S4C maintains its operational, managerial and editorial independence in any future BBC Charter negotiations beyond 2016/17.
- Commercial radio is not part of the PSB system, but at a UK level does provide competition in a number of different ways to the output of the BBC. This is increasingly untrue in Wales, where local commercial stations have a smaller share of listening hours than any other part of the United Kingdom. This is coupled with the trend towards local stations becoming part of a wider networking system. As a result, no commercial stations, or group of stations, provide competition to the BBC in its coverage of Wales. This is an example of market forces on a UK basis decimating the local content on commercial stations in Wales. It is the view of ACW that the government should reverse the trend towards deregulating the radio industry; that Ofcom should be given greater powers to intervene to ensure local content is maintained; and that those powers to intervene should apply on digital as well as analogue platforms. We note the recent comments of the broadcasting minister, Ed Vaizey, that “as more listening becomes digital and demand for capacity increases, it may be necessary to ensure that Ofcom has the appropriate powers to intervene if necessary”.
- We note the continuing development of community radio services in Wales and we welcome the recent announcement by the DCMS of the partial relaxation of some of the rules regarding their ability to raise commercial income. This will particularly important for stations based in north and west Wales that are currently unable to raise

funding through advertising due to the present restrictions of the Community Radio Order. The sector makes a valuable contribution to the range of voices available to listeners in Wales, but continues to face significant challenges in terms of resources and financial sustainability. The newspaper industry in Wales also provides decreasing journalistic competition for the public service broadcasters (a notable difference from Scotland). The decline in readership varies, but there is only one daily newspaper serving the whole of Wales and its readership has dropped below 30,000. This weak media ecology means that the PSB broadcasters play an even more significant role than where robust competition applies.

The ACW therefore concludes that the risks and challenges to the PSB system in Wales are significant, and in some cases imminent. A healthy system of public service broadcasting is a crucial element in our democratic process, and Ofcom and the government should be taking the measures outlined above to ensure that Wales has such a healthy PSB system.

Question 5: *Given the resources available, does the PSB system deliver the right balance of spend and output on programming specifically for audiences in Wales, Scotland and Northern Ireland and programmes reflecting those nations to a UK-wide audience?*

As outlined above, the PSB system does not deliver the right balance of programming for the Welsh audience. In terms of television, budget reductions suffered by BBC Wales mean that the balance of programming has shifted to news and current affairs as opposed to other genres. Although BBC Wales still produces the bulk of non-news programming about Wales, there are now no comedy and few drama programmes made for a Welsh audience. A notable exception was 'Y Gwyll' (Hinterland) commissioned from independent company Fiction Factory by S4C as a back to back Welsh and English language drama co-financed by BBC Wales, Tinopolis, All3Media and the Welsh Government.

ITV Wales' commitment to 90 minutes per week of non-news programming gives them only a small degree of scope to provide an alternative. The ACW believes Ofcom should recommend that the forthcoming licence fee agreement should ensure sufficient funding for BBC Wales to produce a broad range of programming.

There has been a problem for some years over the extent to which Wales (and the other nations) has been portrayed to a UK-wide audience. At the most basic level, it is about making clear in news programmes which stories apply to the UK as a whole or just to England. The performance of the BBC in this area did improve after the King report, but a failure to implement the practicalities of devolution remains an issue for most broadcasters. At a different level, it is about the extent to which the English audience gets to see what happens in Wales. The Welsh audience gets to see what happens in England (or at least in London) all the time, but the reverse is rarely the case.

This issue is sometimes linked to the issue of production quotas. The primary purpose of setting production quotas is to ensure the dispersal of broadcasting production outside the M25. The ACW welcomes the commitment by the BBC to produce 17% of its network programming in the nations, distributed around the nations broadly in line with population. The ACW also welcomes the fact that the new Channel 4 licence requires that 9% of its

programme commissioning will take place in the nations by 2020 (although ACW would have preferred a higher quota). We also note that there is no obligation on ITV to commission any programmes at all in the nations, beyond the present 'out of London' quota, which has not had much impact in securing production from Wales on the ITV network.

While there is a possibility that network programmes made in Wales might reflect Wales to some extent, that is not a necessary corollary. Indeed, there should be no obligation on Welsh production companies to bid just for network programmes about Wales. The issue of network programmes which portray Wales is in reality a separate one. It is up to the network broadcasters to seek to portray the diversity of life around the United Kingdom. The word 'diversity' appears in the duties laid on C4C, but C4C chooses to interpret this in terms of multiculturalism, disability, religion and sexuality. It is the view of the ACW that Ofcom should continue to put pressure on C4C to take a wider view of diversity, including life in the nations of the UK. Similarly, we believe that Ofcom should recommend that a similar geographical interpretation of diversity should be written into the new BBC licence after Charter renewal.

Question 12: *Does universal availability and the easy discoverability of PSB remain important and how might it be secured in future?*

One of the biggest threats to the continued viability of the PSB system is the growth of smart TVs. The ability of smart TVs to de-prioritize the current EPG system, creating alternative hierarchies of choice, means there is an increasing risk that PSB channels will not be as discoverable in future as they are now. If this happens, viewers to pan-UK programmes will still be able to find alternative sources of news and programming without too much difficulty. It would be different for viewers in Wales, where sources of information and programming about Wales would be much harder to find. It is therefore imperative that the EPG system is reformed and strengthened to give Ofcom much clearer grounds for intervention to protect the prominence of PSB services. The grounds for such intervention should include due prominence for PSBs in the nations. One key factor will be the increase of super-fast broadband availability across Wales. The Welsh Government's Superfast Cymru public procurement aims to deliver availability of broadband services of at least 24 mbps to 96% of homes in Wales by 2016. This will enable the majority of viewers in Wales to receive a wide range of on-demand video content and OTT services directly to smart TVs, tablets and a range of other devices in the home. This development will establish broadband as a fourth platform, alongside terrestrial television, satellite and cable. Such connectivity therefore could offer significant opportunities as well as threats to the provision of PSB content specifically for Wales. The BBC has already announced that it is considering, subject to approval by the Trust, to provide BBC 3 as a purely on-line service in future and in our view Ofcom should consider conducting some research and analysis of the costs and benefits of on-line distribution.

Question 14: *Do the current interventions in relation to the independent production sector need to change in light of industry developments?*

The developments relating to the independent production sector set out in Sections 6.49 - 6.60 of the consultation document are to some extent reflected in the market in Wales. For example, Cardiff based Boom Pictures' merger with Two Four in October 2013 created a

new entity, listed as the fourth largest independent company in the UK in the Broadcast 2014 Indie Survey with a turnover of £58.18 million. Similarly Llanelli based company Tinopolis has grown significantly in recent years following its acquisitions of a number of UK indies including Mentorn (producers of the BBC's Question Time) listed at number 30 in the Broadcast survey with a turnover of £18 million. Consolidation has occurred in the Welsh market with a number of smaller companies merging to form larger independent companies, such as Rondo Media and Cwmni Da, that are more commercially sustainable. However, the market also consists of a large number of very small independents with far lower turnovers and overall, in our view, despite recent consolidation, there does not appear yet to be a case for any radical change in the independent quota, the Commissioning Codes and Terms of Trade. In our view, Wales based indies operating in Wales, the UK or in global markets still need the current legislative interventions to remain sustainable and viable as businesses.

Question 15: *Have we identified the right options when considering potential new sources of funding, are there other sources of funding which should be considered, and which are most preferable?*

We note that tax breaks for certain genres of broadcast programmes are already available or are in process of consideration. Tax breaks for children's television were announced in 2014 and the government has announced that it will consult on further tax relief for high-end television programmes. It is the view of the ACW that one of the genre of programmes most at risk is high-quality dramas based in Wales and about Wales. This is an area which specifically needs incentives to invest. It is the recommendation of the ACW that Ofcom should propose to the government that tax breaks should be introduced for such nation-based programming.

**Ofcom Advisory Committee for Wales
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