

Ofcom Advisory Committee for Wales
Small Screen: Big Debate
Response to Ofcom’s Consultation on the Future of Public Service Media

Introduction

The Ofcom Wales Advisory Committee (ACW) has always recognised the vital role played by the provision of public service broadcasting in Wales. We have three vibrant public service broadcasters, BBC Cymru Wales, ITV Cymru Wales and S4C who between them, produce a wide range of programmes and on-line content in both Welsh and English specifically for viewers and listeners in Wales as well as, in the case of BBC and ITV, for the UK networks, providing an essential platform to articulate the civic life of the nation.

In addition, although not actually based in Wales, Channel 4 also commissions content from Welsh independent producers and has a mission to serve the nation as part of its ‘4 All The UK’ strategy. Channel 4 News has a base in Cardiff and the broadcaster has established a creative hub in Bristol to enable it to work closely “in partnership with Cardiff and its production sector – with the opportunity to further accelerate the growth of the creative cluster around South West England and South Wales.”¹ As noted in a recent PACT report some independent companies based in Wales also supply programmes to Channel 5².

The Future Compact: The Provision of Public Service Media (PSM)

The existence of the three public service broadcasters in Wales and the services provided by them have over the years illustrated the unique PSB ecology in the UK, with its mix of public and commercial funding. However, as clearly set out in this latest Ofcom consultation, the current PSB system, which has been under severe strain for many years, now faces an existential threat to its sustainability. In turn this could impact severely on the provision of public service content specifically for Wales unless there is radical reform of the existing PSB Compact.

We therefore agree with Ofcom’s analysis that a new framework is required to deliver the objectives of public service broadcasting in an increasingly online world, based on a broader concept, the delivery of Public Service Media (PSM), which recognises the need for public service content provision across a range of broadcast and online services. However, we note that Ofcom has not specifically defined what is meant by PSM and we therefore have to qualify our response to this consultation by recognising that, while its precise meaning remains unclear, some of our views will need to be developed and modified in future when the full nature and meaning of PSM emerges.

It is also worth taking account of the bigger picture regarding the future of Internet regulation. While noting Ofcom’s new role in regulating Video Sharing Platforms and Online Harms, the legislation for the latter function is only in development at this stage and Parliament has yet to settle on the precise range and responsibilities these new powers and duties will entail. More broadly, the wider question of how the Internet is to be regulated as a whole, could be a vital issue that may well side-line much of the current discussion around Small Screen Big Debate and the future of PSM.

¹ <https://www.channel4.com/corporate/about-4/4-all-uk>

² https://www.ofcom.org.uk/data/assets/pdf_file/0017/130706/Oliver-and-Ohlbaum-regionality-trends-within-the-UK-production-sector.pdf

As noted by consultants Mediatique, in a report commissioned by Ofcom for this review in relation to PSB, “changes in technology, consumer behaviour and business models may very soon render the current funding model unsustainable”. The report suggests that further downward pressure on overall UK content origination will be particularly evident in ‘distressed genres’ where it is argued that there is ‘less commercial incentive to invest, and where new entrants have shown themselves uninterested. Audiences of niche content or those in the Nations or Regions are likely to be particularly affected’³. The report adds that this will also impact on the sustainability of smaller independent producers. Mediatique argues that a drop in expenditure on key genres of UK original content will have a drastic impact in the Nations and Regions, particularly in sustaining out-of-London commissions.

The European Broadcasting Union has set out what it regards as the PSB/PSM core values and those of its PSB Members. The EBU suggests an operating model based on six key concepts: Universality, Independence, Excellence, Diversity, Accountability and Innovation. It also emphasises the importance of PSBs being independent of government, acting as impartial broadcasters serving the public interest, but not functioning as state broadcasters. This can be problematic where the broadcaster is funded directly by government. These core values are evident in the existing PSB/PSM system in Wales. For example, the licence fee provides a funding mechanism that is independent of government and its review and renewal sit outside regular parliamentary fixed terms. In the case of broadcast television, prominence is currently delivered through advantageous placement on electronic programme guides (EPGs) and through favourable channel numbering while the broadcasters’ services are universally available⁴ to citizens and consumers in Wales, via digital terrestrial television (DTT), digital satellite, digital cable and through high-speed broadband.

Streaming and Subscription Video on Demand

However, in the period since the previous review, with the rapid growth of superfast broadband connectivity, there has been a significant take-up of streaming video on demand services. These services can often be accessed on connected TVs by clicking on an app, bypassing the EPG completely. According to the 2020 Ofcom Media Nation Report for Wales, 59% of homes in Wales have smart televisions connected to the Internet. YouTube is now viewed in just under 50% of Welsh homes and 54% have subscriptions to one or more streaming services, including Netflix which is viewed in 47% of homes in Wales. As noted by Ofcom research, audiences are turning away from the traditional PSB channels in favour of global streaming and online services. Ofcom figures for Wales show that daily viewing declined by 6.1% between 2018 and 2019, compared to the UK average of 4.9% and that Wales experienced the largest decline in daily viewing out of the UK nations. According to Ofcom research, ‘one in four viewers of streaming services say they can imagine watching no broadcast TV at all in five years’ time.’

Range of Genre Output and Independent Production

As noted by Ofcom⁵ the PSBs’ funding of content on public service channels is more substantial and spread across a broader range of genres than those of other broadcasters. While the streaming

³ Section 4.23 of the report

⁴ The availability is not quite 100% but is sufficiently high to be virtually universal. DTT is available at 97.8% of premises in Wales (lower than the UK average of 98.5%) although the coverage of the commercial multiplexes is limited to around 73% of premises. Digital satellite (either Sky or Freesat) is available to around 98% of premises while Digital cable (from Virgin Media) has only limited availability, to around 23% of premises in Wales. Superfast broadband is available to around 93% of premises in Wales.

⁵ Section 2.11 of the consultation document.

services focus on popular mainstream genres including drama, that are more likely to generate commercial returns, it is the public service broadcasters that provide high-quality news and current affairs, along with wide range of other genres including factual, sport, the arts and entertainment. In Wales, some forms of factual entertainment programmes are hugely popular with viewers and the production sector is generally more active in this area. While South Wales has developed extensively as a centre of excellence for high end drama production for film and TV, most independent companies based in Wales work in factual non-scripted genres. According to a report commissioned for the screen sector in Cardiff, the independent production sector in south east Wales is overwhelmingly made up of micro and small businesses. 73.3% of firms are classified as SME's (employing fewer than 10 staff) and micro independents (with fewer than 4 staff) with only 5.6% of organisations employing more than fifty staff⁶. For such companies, it is probably more viable to work in non-scripted genres than in drama. According to Pact data in 2010, (although now somewhat out of date), 43% of independent companies in Wales were noted as producers of factual programming and documentaries⁷.

However as noted earlier, drama production for high end film and TV has grown extensively in Wales. BBC Studios operates a drama village in Cardiff Bay, which is home for series such as Casualty, the Welsh language soap Pobol y Cwm and Doctor Who. From 2013 to 2016 the former Ford/Visteon factory in Swansea was the base for Bay Studios where the series Da Vinci's Demons (developed for BBC Worldwide and US broadcaster Starz) was produced at the site along with the TV series Gangs of London. More recently, independent companies such as Bad Wolf have had notable worldwide successes with series such as His Dark Materials (for BBC and HBO) and A Discovery of Witches (for Sky One and AMC). With financial support from the Welsh Government, the company has also established Bad Wolf Studios, a 125,000 square foot facility with five sound stages. Other studios have also been set up in south Wales including Dragon Studios in Llanilid (where FX Network's The Bastard Executioner and TNT Network's Will were produced) and Seren Studios, (formerly Pinewood Studios Wales) which was acquired by Great Point in a deal in 2020 with the Welsh Government after Pinewood gave up the site. Film and TV productions shot at Seren Stiwdios include The Huntsman, Winter's War, Sherlock, Show Dogs, The State, A Discovery of Witches, The Crown and Doctor Who. Bad Wolf is understood to have spent £1m upgrading Seren Stiwdios for its filming of a Discovery of Witches.

News and Current Affairs

According to Ofcom the provision of high-quality trusted and accurate news has always been at the core of the UK PSB system and evidence from Ofcom's news consumption survey suggests it continues to be highly valued by UK audiences⁸. In Wales, according to Ofcom research, TV channels are still the most used sources of news with 64% of adults using BBC One Wales as their main source of news, followed by 49% of adults for ITV Cymru Wales and 40% using Facebook. As noted by Ofcom, 'choice in news is unlikely, in the foreseeable future, to be supplemented by streaming providers.' In practice this means that without some form of public subsidy, the market alone will not provide news, current affairs and other programming specifically for viewers and listeners in Wales. This is a major issue when, for example, decisions about large areas of domestic life in Wales such as education and health, are made by the Welsh Government, rather than by the Westminster government.

⁶ https://clwstwr.org.uk/sites/default/files/2021-01/Screen_Work_2020_ENG_0.pdf

⁷ UK Production Supply in the Nations and Regions, PACT, July 2010

⁸ Section 3.4 of the consultation document. Services offered by the existing public service broadcasters account for nine of the top 20 sources of news in the UK.

The role of news coverage in Wales has been highlighted during the pandemic. The Wales PSB's have provided an essential service in reporting the work of the Welsh Government in managing the health crisis, by providing detailed information about the restrictions that have been set in Wales, which have often been significantly different from those in force at various times in the other nations of the UK⁹. For example, recent BARB data shows that there are generally greater numbers of viewers in Wales for the Welsh Government Covid briefings at 12.30pm than for the Westminster Government briefings later in the afternoon. This presumably suggests that viewers in Wales perceive the Welsh Government briefings as being more relevant to their day-to-day lives.

Radio and Audio Services

The ACW has also considered the broader implications of this review on the provision of radio and audio services for Wales. The Mediatique report notes a 'relentless decline' in broadcast radio listening among the youngest demographic, with younger listeners having already significantly displaced radio listening with other audio categories, including the rapidly growing popularity of audio podcasts. The consultants note the take-up of connected devices and technological innovation which has driven changes in consumer behaviour, "despite the growing importance of DAB (which favours traditional broadcast media) in the distribution mix. A key driver of this is the take-up of smart speakers, where navigation (usually voice controlled) is dominated by global providers (Amazon and Apple)". Such platforms aim to colonise all activity (e-commerce, internet search, audio and A/V content access). However, this trend towards globalisation is unlikely to do Wales any favours. It represents a potential threat to legacy PSM audio providers, such as BBC Cymru Wales, in seeking reach and relevance among Welsh audiences. We therefore welcome the introduction, by BBC Cymru Wales, of daily news updates in Welsh and English via the Alexa platform, using for example, the command, 'Alexa play BBC Radio Wales Update'. However there remains a key issue in relation to Welsh language voice control on Alexa and other smart speaker platforms which has not yet been developed.

Innovation and New Technology

Past experience suggests that major advances have tended to come about through collaboration between government, regulators, broadcasters and manufacturers, all working together with all four groups needing to be proactive. This was very evident, for example, in the launch of digital terrestrial television, the subsequent launch of Freeview, digital switchover and the launch of high-definition services on DTT. These innovations required significant encouragement and action from the UK government and Ofcom as well as from the industry. Similar co-operation will be essential in our view when addressing the way in which the PSBs will be able to broadcast ultra-high-definition television, or the provision of PSM services via 5G mobile, which will require similar levels of collaboration.

Developments in existing standards may also be useful in potentially boosting audiences for the PSBs. For example, the development of the DVB-I standard for Terrestrial, Satellite and Internet/Broadband television delivery could allow all broadcasters, for example within Wales or the UK, to operate on the same platform so all users would only need one device or App to receive the broadcasts. This type of integration could help with PSB prominence and provide a seamless experience for viewers. The BBC is already well-known for its excellent technical research. However,

⁹ In Section 3.7 Ofcom notes that its research has highlighted the recent importance of accurate and regionally-specific information about Covid-19 to audiences, given varying restrictions in different parts of the UK.

in our view it will be vital that the broadcasters don't get left behind regarding new technologies and techniques. We recognise however that, in the current financial climate, the PSBs may have limited funding for innovation. They may need to cooperate with other parties and join research projects developed by other creative industries in order to develop new technologies, for example in areas such as Virtual Reality, Augmented Reality, and mobile applications, in order to offer new experiences for users.

One key example of partnership working in Wales is the development of Clwstwr, a five-year innovation programme to create new products, services and experiences for screen, led by Cardiff University, in conjunction with the University of South Wales and Cardiff Metropolitan University. Clwstwr aims to build on South Wales' success in content creation by placing research and development (R&D) at the core of production. Key partners include BBC Cymru Wales, S4C and ITV Cymru Wales along with independent film and television production companies, Arts Council of Wales, local authorities including Cardiff Council and the Welsh Government. The programme is funded through the Arts and Humanities Research Council as part of its Industrial Strategy and Clwstwr aims to provide investment in specific R&D projects worth £3 million over the next four years.

The Future of PSB/PSM in Wales

Civic society in Wales has generally looked to its public service broadcasters to provide a voice for society and encourage interaction between its citizens. PSM will need to be able to deliver the same social, artistic and civic benefits that are currently provided by the PSB system in the new online world with maximum reach and impact. In our view we will not be able to rely on the market alone to deliver public service content specifically for Wales. Explicit forms of funding will need to be developed, such as contestable sources, sitting alongside the existing licence fee, to maintain and strengthen the provision of public service media specifically for Wales.

Consultation Questions

Q1: Do you agree that a new regulatory framework for PSM delivery should support a more flexible 'service neutral' delivery approach that is more outcomes focused?

We agree that, in an online world, it makes sense to refer to public service media (PSM) which we agree is a broader concept rather than that of public service broadcasting, providing a stronger focus on content creation rather than distribution. However, we believe that it will be important that Ofcom develops a clear definition of the term's precise meaning.

We also believe there is merit in considering the fundamental requirements for the provision of PSM. In our discussions around Ofcom's Small Screen Big Debate consultation, we have considered the need to develop Public Service Media Purposes for Wales, from first principles, drawing on previously established sources such as Ofcom's definition of PSB, the BBC's Mission and Public Purposes and the EBU's work around public service media. We have set these draft Purposes out in an Annex to this response. These purposes would take account of audience behaviours and new technologies such as connected TVs but would essentially be technology and platform neutral.

These purposes in turn would be broken down into desirable core public service elements such as the provision of impartial high-quality news and investigative current affairs for Wales. In principle, these elements could be delivered in a service neutral way, without being tied to requirements imposed on individual broadcasting institutions. We also emphasise that the delivery of PSM content

for Wales should take in the full range of public service genres and include the arts, music, drama, entertainment, comedy, culture, sport, and other material relating to the broader life of the nation.

Q2: Do you agree with our proposals for a clear accountability framework?

Yes. We recognise that the current requirements for the commercial PSBs to produce Statements of Programme Policy (SPP) now appear outmoded and no longer fit for purpose. In practice, viewers, citizens and consumers appeared to have had very little engagement with the annual SPPs produced by the commercially funded PSBs. However, we believe the service neutral approach proposed by Ofcom, linked to appropriate, clear metrics, offer greater regulatory clarity than the present, arguably semi voluntary system. We would also support the creation of powers to enable Ofcom to monitor delivery and hold the PSM providers to account, with the ability to set specific additional requirements where needed.

Currently one major focus of PSB regulation is to secure hours of output in specified genres on specific channels, to be provided by the broadcasters. For example, in the case of the BBC, given the rapidly changing media environment and in keeping with the concept of PSM, we believe that it would be important to review this aspect of the BBC's Operating Framework and Licence which is regulated by Ofcom.

Currently under the terms of the Operating Licence, BBC Cymru Wales is required to deliver specific hours of output for viewers in Wales via the BBC's linear services, including 275 hours of news and current affairs on BBC One Wales, along with 65 hours of non-news programmes and 175 hours of non-news programmes on BBC Two Wales. There are also hour-based output requirements for BBC Radio Wales and BBC Radio Cymru, but the current online provision is less specific, requiring that BBC Cymru Wales must ensure that it provides news and information about Wales along with content in Welsh and dedicated sports coverage. While we do not believe these requirements should be abandoned entirely, a new regulatory environment would provide BBC Cymru Wales with an opportunity to take a more holistic overview of its output, particularly as broadcast live television viewing is generally decreasing, while online on demand viewing, for example via BBC iPlayer, is increasing significantly. The broadcaster should, arguably, be freed up to make investment decisions that bring higher quality to the screen, rather than always being tied to specific hours-based delivery requirements. For example, the drama series' Hidden and Keeping Faith, commissioned by BBC Cymru Wales, almost trebled their viewing figures by being made available on BBC iPlayer during 2017/18, with requests for viewing increasing to 45 million in 2018 from 14 million in 2017. The same year saw a 19% increase in views for BBC Wales News Online¹⁰. Keeping Faith was originally produced by Vox Pictures for S4C as Un Bore Mercher and viewing figures for S4C online were also significantly higher than for broadcast alone.

However, we believe that any reduction in hourly requirements in the Operating Licence should be calibrated with great care, particularly in the next few years, as audiences transition from consumption of linear services to online, on-demand services. We accept that logically, a similar argument applies to the services provided by ITV Cymru Wales, which are also defined, within its Channel 3 licence in terms of hours of output (set out in our answer to question 5 below). However, we believe that delivery requirements based on hourly output may still be appropriate in some genres such as news and current affairs, while for other genres such as drama, other metrics should

¹⁰ <https://www.bbc.co.uk/news/uk-wales-47116363>

also be considered in evaluating the broadcasters output taken as a whole. So for example, there might be a case for producing fewer hours of 'other' programmes (as defined in the licence) to deliver higher production values on screen. Flexibility in this area could also assist the public service broadcasters in developing partnerships with other content producers, through co-commissioning and co-productions.

Q3: What do you think should be included in the PSM 'offer'?

We agree with the principle that the PSMs would provide a reference offer as suggested in the consultation – a core package of content delivered equally to all platforms, protecting the concept of universality that is central to the provision of public service delivery. This would ensure that the delivery of public service content in this way would be mainstreamed in terms of the overall consumption of content by audiences.

However, we believe this offer should be appropriately regulated, by an independent regulator, which should be Ofcom in our view. Having a clearly defined role for the regulator would avoid issues such as the lack of availability of the PSM BVOD players on some brands of smart TV, which has proved to be a major problem for consumers, such as illustrated by the example described in the consultation document of the current generation of LG 2020 Smart TVs. We therefore agree with Ofcom's objective in this area to secure the availability of PSM to, "ensure audiences can access PSM content online and provide a greater degree of certainty for PSM providers, manufacturers and TV platforms regarding the terms under which PSM on-demand services are delivered to audiences¹¹."

Q4: What options do you think we should consider on the terms of PSM availability?

In the interests of sustaining the provision of PSM in the future, we believe that PSMs should have the opportunity to create revenue streams by charging, in certain circumstances, for the carriage of their on-demand services. However, this would need to be accompanied by a must carry obligation, enforceable by Ofcom, and we therefore support Ofcom's arguments for new legislation to ensure that existing PSMs' on-demand services as well as their existing broadcast TV Channels are given prominence across connected TVs. By giving Ofcom the ability to regulate this access, it could ensure that the PSMs obtain carriage on favourable terms while protecting the need for a competitive content supply market.

In the medium term, carriage of the PSBs' TV Channels will remain very important. We note that the licences for two multiplexes, PSB 2 operated by D3&4, which carries standard definition versions of ITV Cymru Wales and S4C along with COM 4 operated by SDN, are both due to expire by the end of 2022. Currently S4C is only available in standard definition (SD) on Freeview, although ITV Cymru Wales is also simulcast in high definition (HD) on the PSB 3 BBC B multiplex. In the medium term, audiences for Freeview's HD services are likely to grow (while they will diminish on SD) and we therefore hope that a solution can be found to enable S4C to gain carriage on the HD multiplex in future.

Q5: What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches?

In our view explicit additional forms of public funding will need to be developed to support and renew the current PSB/PSM system. However, the current licence fee also remains essential as a mechanism to fund the BBC and S4C in Wales. While we note that Ofcom's PSM Review does not

¹¹ Section 5.28, Ofcom Consultation on the Future of Public Service Media

aim to address the forthcoming review of the Licence Fee in 2022/23, it is worth noting that the DCMS Secretary of State has a duty to ensure that S4C has 'sufficient funding' to deliver its public service remit¹². We do not support wholesale 'top-slicing' of the licence fee to support other new PSM entrants. In our view these new content creators should be supported by being given access to a dedicated PSM contestable fund.

S4C faces specific challenges as the sole public service media provider of Welsh-language content. It is worth noting that it operates very efficiently in this regard, with 79.5% of the broadcaster's income spent directly on commissioned content¹³. However, its production budgets are undoubtedly constrained by the comparatively low tariff levels available for commissions compared to those of other broadcasters. Although S4C has faced cuts to its funding since 2010, an outcome of the DCMS Review of the broadcaster published in March 2018 was the decision that its public service should be funded entirely through the licence fee providing, it was argued, greater stability and certainty in the future. Given the pressure on the provision of public service content for the nations and regions identified in Mediatique's analysis, we believe that it will be vital, in the interests of citizens and consumers in Wales, to secure a fair and sustainable settlement for both BBC Cymru Wales and S4C as an outcome of the licence fee negotiations.

Responding to changes in audience behaviours, particularly in younger (16-24) audiences, S4C has significantly developed its on-line engagement in recent years through innovative new services such as Hansh which received 8.9 million viewing sessions across Facebook, Twitter and YouTube in 2019/20¹⁴. S4C also has a significant role in supporting Welsh language learners and has developed a strategic partnership with the National Centre for Learning Welsh. Tracking research by S4C shows that 63% of Welsh speaking viewers believe the service has improved their understanding of Welsh words and that 84% believe the broadcaster provides good support for Welsh language learners¹⁵, all of which helps to support the Welsh Government's long-term target of growing the number of Welsh speakers in Wales to one million by 2050. It is also worth noting that S4C has a sizable audience outside Wales, across the rest of the UK. According to its latest annual report S4C was watched by 11.5 million individuals throughout the UK at some time during 2019/20, an increase from 10.1 million in 2018/19. S4C's content is clearly appreciated outside Wales and by non Welsh speakers, for example in its provision of music and sports programming and this may offer greater opportunities for the broadcaster to further grow its audiences in the future.

S4C's news service is provided by BBC Cymru Wales, although both the BBC and ITV Cymru Wales supply Welsh language current affairs programmes to the channel as well as a wide range of other programmes. However, S4C announced a partnership in January 2020 with the Welsh magazine Golwg to produce a new digital Welsh language news service. The Welsh Books Council already provides grant funding to the Golwg 360 news web site and the Welsh Government recently suggested it could provide funding for an equivalent service in the English language¹⁶. We also note that two new online news serves launched recently in Wales, The National and Herald Wales¹⁷.

¹² S 31, Public Bodies Act 2011 12. 12

¹³ S4C Annual Report and Accounts 2019/20

¹⁴ S4C Annual Report and Accounts 2019/20 p5.

¹⁵ S4C Annual Report and Accounts 2019/20 p39.

¹⁶ <https://golwg.360.cymru/newyddion/senedd/2041236-golwg360-saesneg-gymru-trafodaethau-wedi-cynnal>

¹⁷ <https://pressgazette.co.uk/welsh-news-online/>

As noted by Ofcom, the commercial PSBs have diversified into new revenue streams, such as programme production and rights. While broadcast advertising revenues remain the single biggest source of funding for the commercial PSBs, we note that revenue from ITV Studios, as the largest commercial producer in the UK, accounted for just under 50% of ITV's revenues in 2019 and there has been further diversification by the commercial PSBs in terms of income generation through licensing and distribution revenues. While we note that both ITV and Channel 4 have introduced subscription services to their All 4 and ITV Hub + services, revenues are currently small. S4C has a significant library of Welsh language content and it is possible that the broadcaster could monetise this content in some way. For example, S4C could consider participating in Britbox to screen its archive material if this made sense commercially.

But in any case, we believe that a fully subscription-based model would threaten public service media produced specifically for Wales and would not offer a viable way to fund S4C or the content produced by BBC Cymru Wales. The market alone, without public subsidy, is unlikely to produce much, if any, content made specifically for viewers and listeners in Wales.

The same pressures are also evident for the ITV Cymru Wales service, as a commercially funded PSB, which provides 4 hours of news and 1.5 hours per week of current affairs and other programmes specifically for viewers in Wales. It provides a comprehensive news service which provides plurality in terms of its coverage with the service provided by BBC Cymru Wales. ITV Cymru Wales also supplies programmes to the ITV network including the recently screened Pembrokeshire Murders, which was one of the most watched dramas on ITV, picking up 11.2 million viewers during the week it was screened, and was the biggest ITV drama launch since 2006. However, the commercial value to ITV plc of the advantages of being a PSB, such as EPG prominence and preferential spectrum access, may no longer be sufficient to cover for the costs of the current programme provision for Wales. This will be a key issue when the ITV Cymru Wales licence is due to be renewed at the end of 2024. There is a risk at renewal that ITV Plc may wish to reduce the programme commitments in a new licence and we therefore believe it will be worth exploring explicit sources of funding for the commercial PSBs to replace the declining value of implicit subsidies which historically provided the incentives to operate as a public service broadcaster. For example, this could include contestable funding for tightly defined specific purposes, which could be used to support the ITV Cymru Wales' service.

We believe that a contestable fund is also worth exploring in relation to possible new entrants into the PSM market in Wales, sitting alongside the licence fee, as a mechanism to finance PSM content production. Such a fund could be administered and regulated by an arms-length public body, to minimise the direct influence of government in funding allocation decisions. We agree with Mediatique's analysis that it could risk spreading PSM funding too thinly and could lack impact if the content was delivered by organisations without a recognised brand. However, a fund established for tightly defined, specific purposes, for example the provision of a news service for Wales, would be very valuable in our view. For example, we believe that Wales' community radio stations could benefit from such a service as they currently subscribe to services provided by organisations such as Sky News which currently offer only limited Welsh news content.

A contestable fund could be financed by an industry levy, aimed primarily at the current larger SVOD providers as well as major online platforms such as Google and Facebook which currently carry a large amount of content produced by the UK PSBs free of charge. We therefore welcome News

Corporation's landmark deal with Facebook to fund its Australian news content¹⁸. We believe it is a reasonable compensation for this free access to such content that these global organisations provide financial support through a levy mechanism to public service media providers based in the UK. This mechanism would be preferable to direct taxation as it serves to secure the independence of PSM institutions funded this way from government influence.

Another potential source of revenue could be based around a revised approach to the concept of Net Neutrality. A concept of the Public Service Internet came about during the Pandemic, when some Internet Service Providers agreed to remove data limits for public access to NHS and educational websites such as BBC Bitesize. Public service content creators could be given favourable Internet access by service providers without data capping and commercial streaming services could be charged access and the funding used to support a contestable fund or levy mechanism. However, we accept this would require legislation and enforceability, in the case of global providers, could be problematic.

A contestable funding mechanism already exists in the UK to support children's programming on TV and audio content. The Young Audiences Content Fund (YACF) supports the creation of distinctive, high-quality content for audiences up to the age of 18. YACF can award up to 50% of the production budget for projects which have secured a broadcast commitment from a free-to-access, Ofcom regulated service with significant UK-wide audience reach. It also provides support for development funding. £60 million of funding is being provided by the DCMS in a three-year pilot programme. The TV fund, worth £57 million, is administered by the BFI while the audio fund, worth £3 million, is run by the Radiocentre and Audio UK¹⁹.

International Perspectives

Research by the University of South Wales in 2018 examined the differing models of funding and governance that applied to minority language PSBs around the world, specifically those based in Europe, Australia and New Zealand²⁰. The research found that where a remit required promotion of the language and culture as a statutory obligation, governance and accountability structures tended to reflect this. For example, in New Zealand, at the time the research was conducted, Māori Television worked closely on quality assurance with Te Māngai Pāho (a Crown Entity which functioned as a language stakeholder group with responsibility for the promotion of Māori language and culture). This meant that a full-time Te Reo Commissioner reviewed and monitored the language quality and quantity requirements of their productions and programmes.

The research also found that direct government grants were an important element of funding for most smaller minority-language PSBs. This was in contrast to larger, mainstream PSBs, which tended to be funded by the public via models such as a licence fee, taxation, or a utilities levy. In the case of minority-language PSBs, the requirement for independence is potentially placed under strain where the broadcaster receives funding directly from government. In our view this supports the need for S4C to continue to be funded from the licence fee in future.

¹⁸ <https://www.bbc.co.uk/news/world-australia-56410335>

¹⁹ <https://www2.bfi.org.uk/supporting-uk-film/production-development-funding/young-audiences-content-fund>

²⁰ Comparative Overview of Selective Minority-Language and Smaller Public Service Broadcasters, University of South Wales. https://culture.research.southwales.ac.uk/documents/390/S4C_FINAL_ENGLISH_2.pdf

Commercial income was less prominent amongst most minority-language broadcaster due to the relative size of the available minority-language market and limited scope to exploit rights in minority-language productions. Many broadcasters aspired to increase their commercial income and new technologies and distribution methods could offer alternative revenue sources in the future. Many of these broadcasters along with S4C and BBC Alba in the UK are members of the World Indigenous Television Broadcasters Network (WITBN) which aims to share content and best practice²¹.

In terms of governance, the research found that within a broadcaster, distance between operational management and independent oversight was a hallmark of good governance. But within the structures of several minority-language broadcasters there was not always a clear separation between management and governance which raised concerns about a broadcaster's overall capacity to be seen to be thoroughly independent. However, there were also instances where there was a clear commitment to ensuring substantial representation from non-executive board members appointed independently through a relevant Ministry. For example, members of the Board of TG4 in the Republic of Ireland were (at the time the research was conducted) appointed by the Minister for Communication, Marine and Natural Resources. At that time ten non-executive members and one executive member (the Director General), were members of this Board.

Q6: What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven't identified?

There are already several examples of collaboration between the PSBs in Wales. BBC Cymru Wales and S4C already share transmission facilities in new premises in Cardiff city centre and have operated a formal strategic partnership for many years which "sets out at a high level the ways in which the BBC and S4C will work together to deliver services for the benefit of Welsh-speaking audiences"²². As part of this collaboration, S4C's programmes are available on the BBC iPlayer as well as on its own BVOD service, Clic.

S4C and BBC have been developing partnerships with a range of cultural and linguistic organisations in Wales. S4C has formed strategic partnerships with Arts Council Wales, the Welsh Book Council, Literature Wales, Urdd Gobaith Cymru and Theatr Genedlaethol Cymru. BBC Cymru Wales also works with these organisations as well as with National Theatre Wales, for example through BBC Writersroom Wales for the Wales' Writer in Residence scheme which aims to develop and support Welsh writing talent. BBC Cymru Wales has also provided access to its news bulletins, in both Welsh and English to Wales' community radio stations. Both broadcasters are partners in the It's My Shout training scheme, supported by the Welsh Government and the Welsh Arts Council, which provides an opportunity for young people from across Wales to produce short dramas and documentaries, in both Welsh and English, for broadcast on both S4C and BBC Cymru Wales.

BBC Cymru Wales has launched three apprenticeship schemes with Cardiff and Vale College which aim to promote greater diversity in recruitment for the creative industries including ten Wales Digital Journalism Apprenticeships. This scheme also includes apprentices based at ITV Cymru Wales. The wider industry in Wales has also developed apprenticeship schemes for new entrants in Wales. Sgil Cymru has trained over 100 apprentices, working with south Wales companies including BBC

²¹ <https://uia.org/s/or/en/1100048628>

²² <https://www.bbc.co.uk/aboutthebbc/governance/s4c>

Cymru Wales, Equinox Communications, Golley Slater, ITV Cymru Wales, Real SFX, Amplified Business Content and S4C. These apprenticeships have been delivered through partnerships with ScreenSkills and Cardiff and Vale College. Bad Wolf productions has launched Screen Alliance Wales which recruits and trains local people in Wales to work in a wide variety of roles in the film and TV production sector, in partnership with the University of South Wales. The scheme is supported by well-known facility and production companies such as Panalux, MovieTech, Real SFX, ADF and Gorilla Post-Production.

Another interesting example of collaboration across the industry is Sinemaes, established by Bafta Cymru in 2016, which provides a pop-up cinema at the National Eisteddfod each year in partnership with BBC Cymru Wales, S4C, RTS Cymru Wales, the National Lottery, BFI Network, Gorilla, Ffilm Cymru Wales, the National Library of Wales, Screen Alliance Wales and TAC (Welsh Independent Producers). Both Bafta Cymru and RTS Cymru Wales hold award ceremonies, regular screenings and other events of interest to the industry and the wider public in Wales.

Anchor organisations, most notably public service broadcasters, have a vital role to play in raising the ambitions and skills levels of the SMEs who supply them with content. While levers such as quotas have helped increase PSBs' commissioning outside the M25, investment in levelling up the skills and business leadership capabilities of firms outside London has been limited. This needs to change rapidly if PSBs are to deliver against their promise to support the creative economy across all the UK.

In May 2020, the first six producers from Wales were selected for the Channel 4, BBC and S4C funded Fast Track Factual development programme, a multi-partner talent initiative aimed at factual TV producers supported by the Welsh Government through Creative Wales. The scheme provides paid production placements, training and commissioner mentoring and according to a joint press release, "the programme is responding to a need, identified by both indies and broadcasters, to invest in fast-tracking the next generation of factual creative leaders in Wales. To support the development of a bilingual workforce, two of the six places are earmarked for Welsh speakers²³." Multi-partner initiatives like Fast Track Factual are welcome but need to be further embedded and expanded to other genres.

The size of screen companies largely determines their ability to invest in training opportunities. One of the main barriers to good screen sector workforce development is the extent that size and resource of an organisation impacts how they can fund, deliver and sustain a robust and coherent workforce development strategy. There have been best practice examples, for example were TAC (Welsh Independent Producers) worked with S4C to provide free places for freelancers on their training courses. Other examples include Channel 4's Nations and Regions training focus and the broadcast and independent partnerships that drive Fast Track Factual. However, this provision is unevenly spread across the Welsh industry and often spearheaded by broadcasters, large independents or significant industry brokers who deliver training programmes such as Ffilm Cymru Wales, Sgïl Cymru, TAC and Screen Alliance Wales as noted above.

²³ <https://www.bbc.co.uk/mediacentre/latestnews/2020/factual-fast-track-development-programme>

If the number of PSM content providers increases in future, as part of a system that encourages the plural supply of public service content, it will need to establish prominent carriage arrangements, for example via on-demand BVOD players, widely or universally available via platforms such as smart TVs. But there could be significant barriers to entry, for example in software development, which may not be cost-effective on an individual provider basis. There could therefore be scope for an aggregating PSM content player provided suitable carriage could be negotiated. However, without the support of regulation, it could be difficult for such a service to make headway in a complex and competitive platform carriage marketplace.

Q7: What are your views on the opportunities for new providers of PSM?

We support the idea of allowing a broader range of organisations and institutions to deliver some aspects of PSM in Wales. We believe this approach would create increased plurality by enabling new players to enter the market, offering opportunities for flexibility and innovation in the delivery of the PSM Purposes for Wales. However, in our view, it is also vitally important to maintain and strengthen Wales' existing broadcasters as we believe that maintaining continuity through a core of established providers is also essential to ensure the stability of provision through recognisable and trusted brands. For example, BBC Cymru Wales is a trusted and well-respected brand and we would not want to undermine the credibility this institution brings to the objective of securing the future delivery of PSM for Wales. S4C's commissioning policies over the past 30 years has enabled the foundation and significant growth of the independent sector in Wales, while ITV Cymru Wales continues to provide a vital degree of plurality in the supply of news and current affairs for Wales, as an alternative to the services provided by BBC Cymru Wales.

Summary and Conclusion

- We agree with Ofcom that a new framework will be needed to secure the delivery of PSM content in the future.
- It is essential that PSM's purposes and characteristics are clearly defined by Ofcom. The ACW has offered a set of PSM purposes in relation to Wales (see Annex 1).
- The Ofcom ACW supports retaining the licence fee with a fair settlement as the main way to fund the public services provided by the BBC and S4C. We do not support any further 'top-slicing' to support new entrants.
- Explicit forms of funding will be required to support the present commercially funded PSBs and any new PSM entrants. This could take the form of a contestable fund, with specific tightly defined objectives or an industry levy, imposed on the global Internet platforms, which currently use public service content free of charge.

Annex 1: Draft Purposes and Characteristics of Public Service Media/Content for Wales

Characteristics

- ❖ **platform neutral**
- ❖ **widely available** (on all broadcast and on-line platforms available in Wales)
- ❖ **free at the point of delivery** (funded via the Licence Fee and/or other suitable public funding mechanisms)
- ❖ **high quality** (well-funded and well-produced)
- ❖ **original** (new content for Wales rather than repeats or acquired content)
- ❖ **innovative** (breaking new ideas)
- ❖ **challenging** (making content that makes viewers/listeners think)
- ❖ **independent** (with services delivered for the benefit of society in Wales as a whole)

Purposes

- **Reflect, represent and serve all communities accurately and authentically in Wales**, in both the **Welsh and English languages**, including communities of interest and Wales' ethnic minority communities.
- **Provide impartial news and information** to help people understand and **engage with democratic, industrial and public policy matters relating to Wales**.
- **Provide distinctive high quality and creative content and services of specific interest to citizens and consumers living in Wales**, including the interests of those with disabilities or other access issues.
- **Support learning for people of all ages living in Wales**.
- provide **support for Wales' creative economy**.
- **Reflect the culture and values of Wales to the United Kingdom** and the rest of the world.