

2 Television and audio-visual content

2.1 Recent developments in Wales

The BBC and S4C have published details of a five-year operating agreement which guarantees S4C's editorial and managerial independence while safeguarding appropriate accountability to the BBC Trust for licence fee funding spent by the channel. The BBC will contribute £76.3m in 2013-14, falling each year to £74.5m by 2016-17.

Following the 2013 Budget, the DCMS confirmed that 1.09% less funding would be available to S4C in 2013/14. The following year, the budget would reduce by a further 1.06%. The UK Government had agreed to contribute £6.7m towards S4C budget in 2013/14, and £7m in 2014/15, following an agreement that the majority of the channel's budget would be funded through the licence fee.

The BBC and S4C have also confirmed a renewed partnership agreement which will see continued investment in Welsh-language programming for the next four years. The agreement guarantees the statutory minimum of 520 hours of programming supplied to S4C each year by BBC Wales.

S4C launched its digital fund, S4C Digital Media Ltd, to promote developments in the area of multi-platform and digital media. The fund, worth £1m a year over the next four years, aims to support new creative products and services across digital platforms.

ITV has announced further modernisation, designed to reduce its operating costs and help to secure the long-term future of news and programmes in Wales. Proposals include restructuring all technical, craft and support roles into one integrated multi-skilled production team.

Independent television producers have been given a £200,000 funding boost by Channel 4 and the Welsh Government. The channel's Alpha Fund is designed to support the development of creative output from Welsh-based producers and suppliers.

Edwina Hart, the Welsh Government Minister for Economy, Science and Transport, has also announced that the Welsh Government will offer flexible funding support for television production in Wales. The Wales Screen Commission provides information on locations, crew and costs (which are approximately 20% less than in London).

Ofcom awarded the local TV licence for Cardiff to Made TV Ltd. The channel will be called Made in Cardiff and will have a transmission footprint which includes Newport, the South Wales Valleys and Bridgend, covering 350,000 households. The Swansea licence, which did not attract any applications during the first round of licensing, will be included in a second round of licensing in 2013, along with Bangor and Mold. The closing date for applications is 11 September 2013.

Ofcom is presently working towards offering new ten-year licences to ITV, STV, UTV and Channel 5 before the current licences expire at the end of 2014. This follows Culture Secretary Maria Miller's decision, announced in November 2012, not to block the renewal of the licences. We have consulted on the terms of those renewals, with three consultations - on the licensed areas, the financial terms of the renewal, and the programming obligations of the licences - all closing on 2 May 2013.²⁶

²⁶ <http://stakeholders.ofcom.org.uk/consultations/c3-licensed-area/>

2.2 Digital television take-up in Wales

Digital switchover completed in Wales

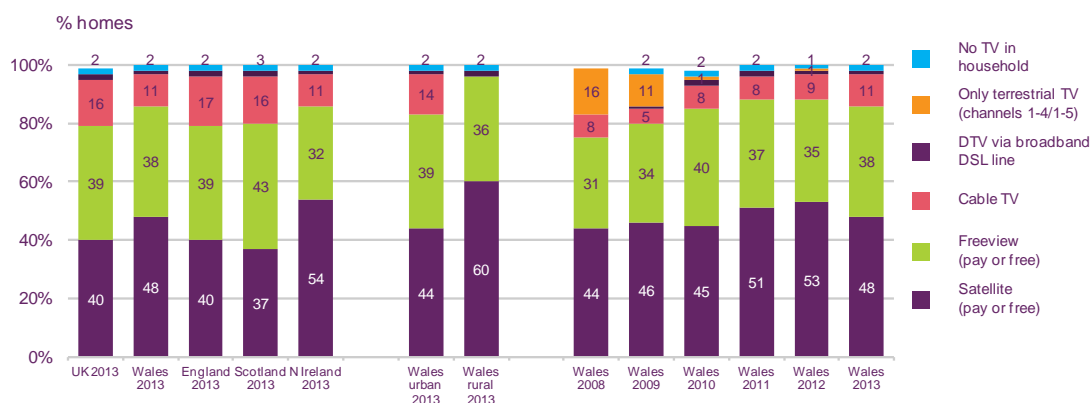
The majority (99%) of all TV households in Wales are now receiving digital television. Digital switchover in Wales was completed in October 2012.

Just under half of Welsh households receive satellite television through the main set

Figure 2.1 shows that in 2013, just under half (48%) of consumers in Wales have satellite television, compared to 53% in 2012. Just under two in five (38%) stated they had Freeview, with a further 11% receiving cable television through their main television set.

Satellite television is more prominent as the main platform in rural areas of Wales, with three in five (60%) using this platform; this compares to 44% of those in urban areas. Both urban and rural areas have similar proportions of Freeview television, with cable being used by 14% of those in urban areas.

Figure 2.1 Main television set share, by platform



QH1a. Which, if any, of these types of television does your household use at the moment?

Source: Ofcom research, Q1 2013

Base: All adults aged 16+ (n = 3750 UK, 492 Wales, 2250 England, 501 Scotland, 507 Northern Ireland, 247 Wales urban, 245 Wales rural, 811 Wales 2008, 987 Wales 2009, 1075 Wales 2010, 493 Wales 2011, 513 Wales 2012, 492 Wales 2013)

2.3 Smart TV and HDTV ownership

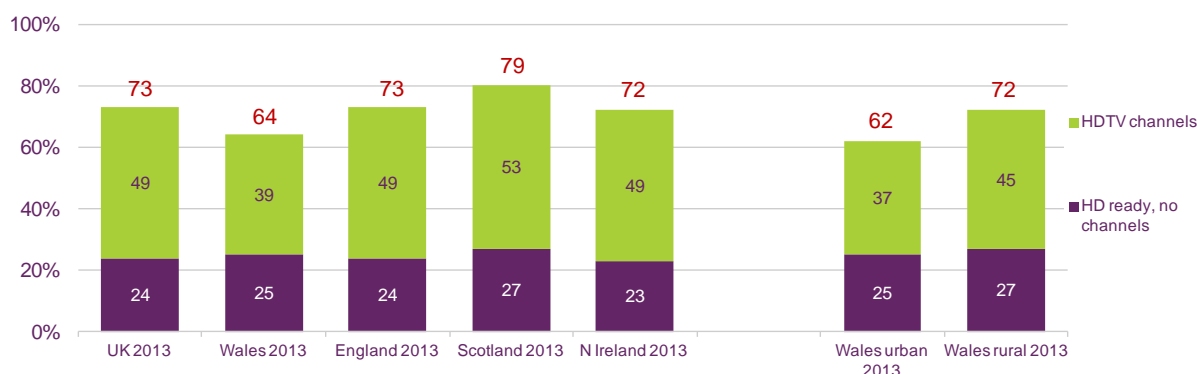
Just under two-thirds of households in Wales have an HD-ready television

Sixty-four per cent of Welsh households claim to have either HDTV services or an HD-ready television; Just under two in five (39%) receive HDTV services, with the remaining 25% claiming to have an HD-ready TV but be unable to receive HD services.

Within Wales, there are differences between those who live in rural and urban households. Seventy-two per cent of those in rural households have an HD-ready television, compared to 62% in urban locations. Forty-five per cent of households in a rural location claim to receive HD channels, compared to 37% in urban locations. Similar levels in urban and rural locations have HD-ready televisions but do not receive HD services (25% and 27% respectively).

<http://stakeholders.ofcom.org.uk/consultations/c3-c5-obligations/>
<http://stakeholders.ofcom.org.uk/consultations/c3-c5-finance/>

Figure 2.2 Proportion of homes with HD television



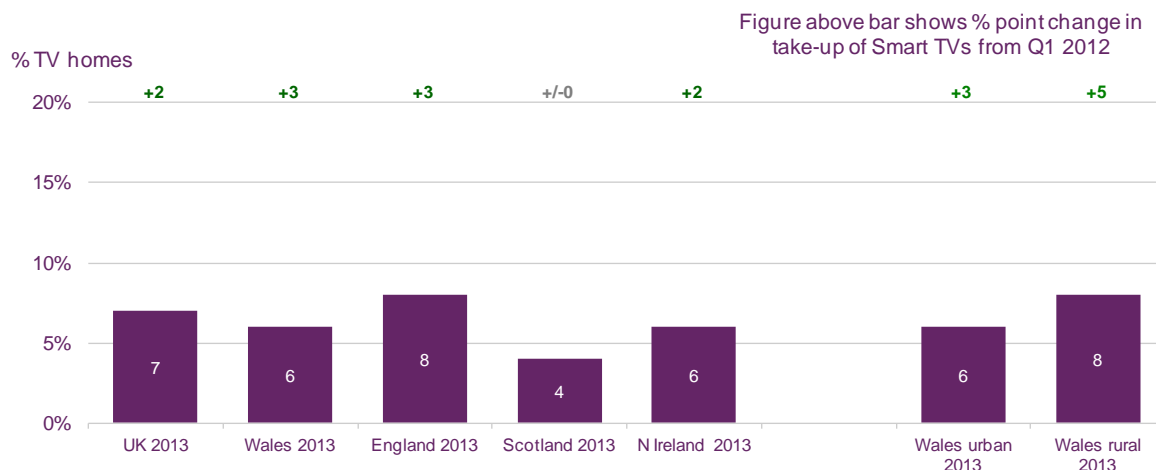
QH53. Is the main TV in your household an HDTV set or HD ready?/ QH54. For the main TV set, does your household have an HD TV service – from either Sky, Virgin Media, Freesat or Freeview?
 Source: Ofcom research, Q1 2013

Base: All adults aged 16+ (n = 3750 UK, 492 Wales, 2250 England, 501 Scotland, 507 Northern Ireland, 247 Wales urban, 245 Wales rural)

Smart TV take-up continues to grow in Wales

Among those with a television in their household, 6% claim to have a smart television; double the number who claimed this in 2012. Rural areas have seen the highest level of take-up, with 8% claiming to have a smart TV (a rise of 5pp on 2012), compared to 6% in urban areas (a 3pp increase on 2012).

Figure 2.3 Smart TV take-up in Wales



QH18. Are any of your TV sets “smart TVs”? These are new types of TV that are connected to the internet and can stream video directly onto your television screen, without the need for a computer, set-top box or games console.

Source: Ofcom research, Q1 2013

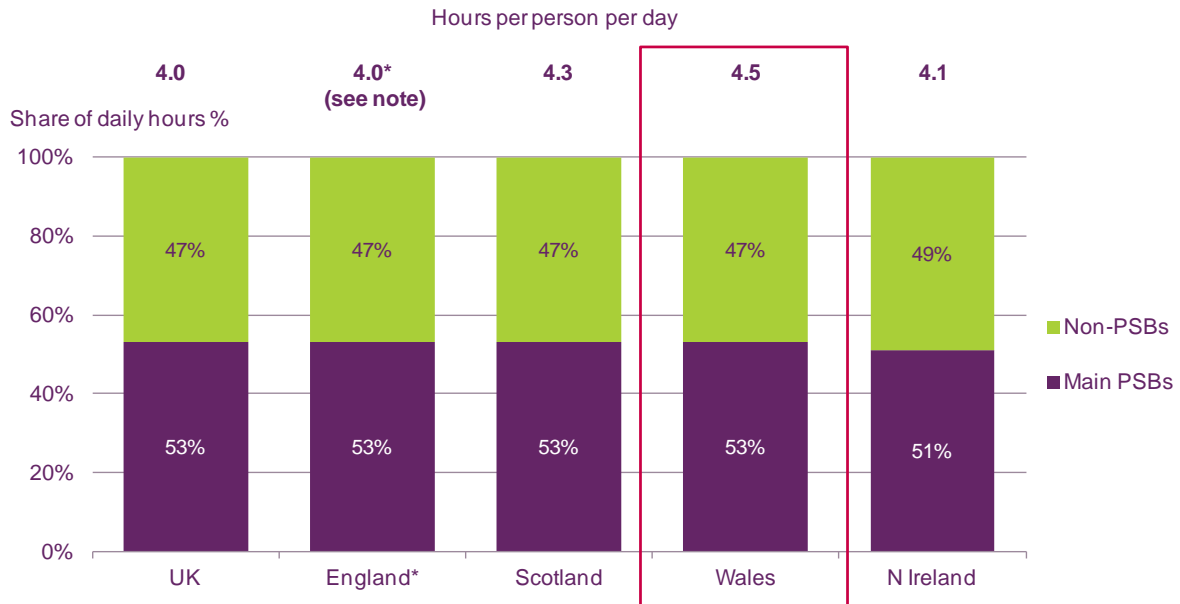
Base: All adults aged 16+ with a TV in household (n = 3661 UK, 485 Wales, 2197 England, 487 Scotland, 492 Northern Ireland, 243 Wales urban, 242 Wales rural)

2.4 Broadcast television viewing

People in Wales spend 4.5 hours per day watching TV

In 2012, people in Wales spent 4.5 hours per day watching television, which is the highest across all the nations (Figure 2.4).

Figure 2.4 Average hours of daily TV viewing, by nation: 2012



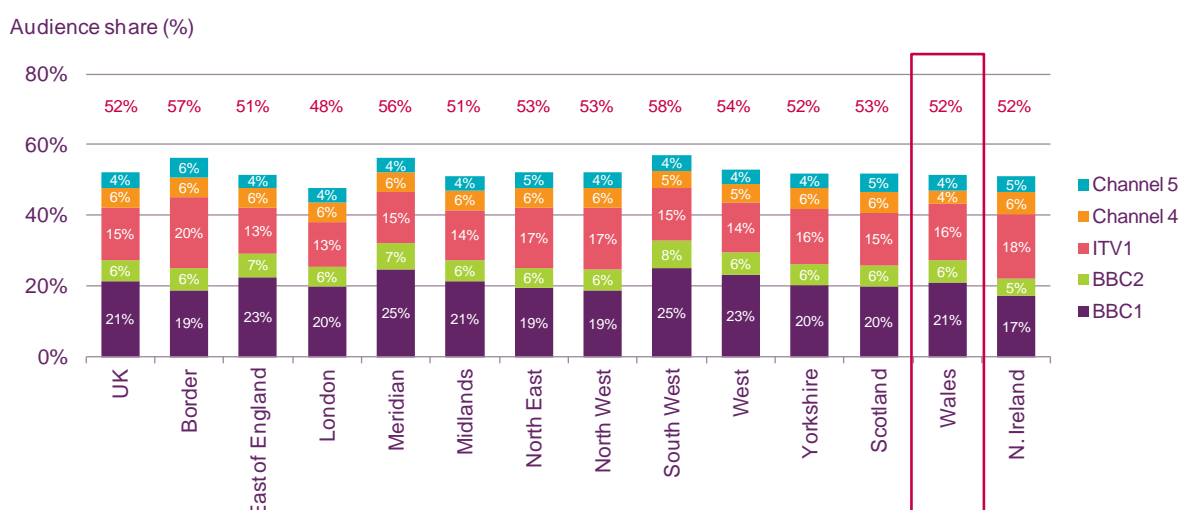
Source: TV = BARB. Based on all individuals (aged 4+). PSBs = BBC One, BBC Two, ITV1, C4, Channel 5 including HD variants.

*Note: This figure reflects the average across the English regions with the highest in the North East (4.4) and lowest in the West (3.7) respectively.

Over half (52%) of all viewing is to the five main PSB channels

In 2012, the five main PSB channels accounted for a combined 52% share of total TV viewing in Wales, comparable to that in the other nations and equal to the average 52% share across the UK.

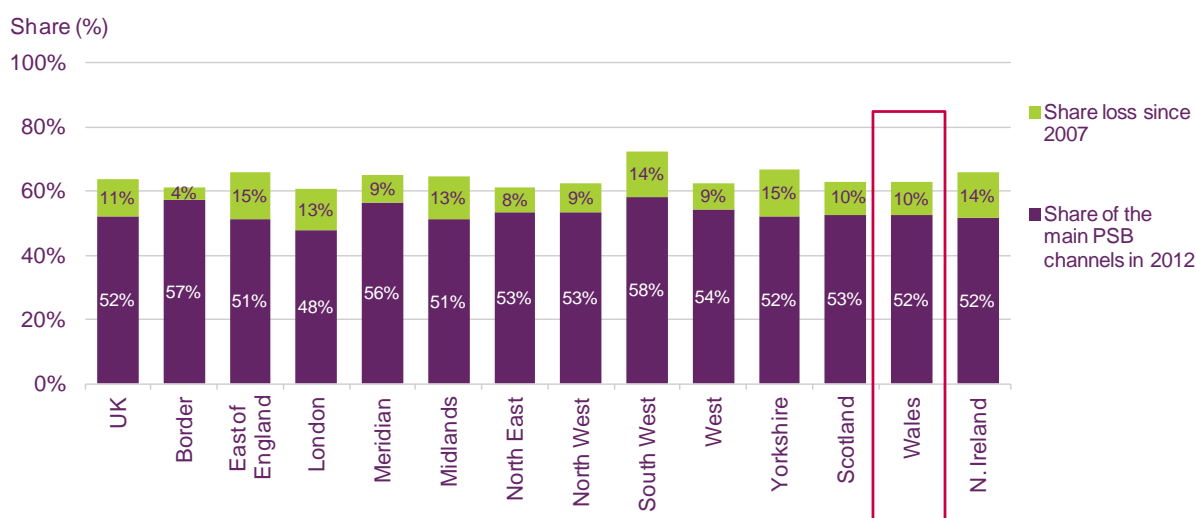
Figure 2.5 Share of the five main PSB channels, all homes: 2012



Source: BARB, all individuals (4+). HD channel variants are included.

Between 2007 and 2012, there was a ten percentage point reduction in the combined share of the five main PSB channels in Wales (to 52% in 2012). This reduction was broadly comparable with the average decrease across the UK, which was 11pp.

Figure 2.6 Reduction in combined share of the five main PSB channels, all homes: 2007 and 2012



Source: BARB, all individuals (4+). HD channel variants are included.

Note: In 2010 a new BARB panel was introduced, including the re-defining of boundaries. Therefore, pre and post panel change data should be compared with some caution.

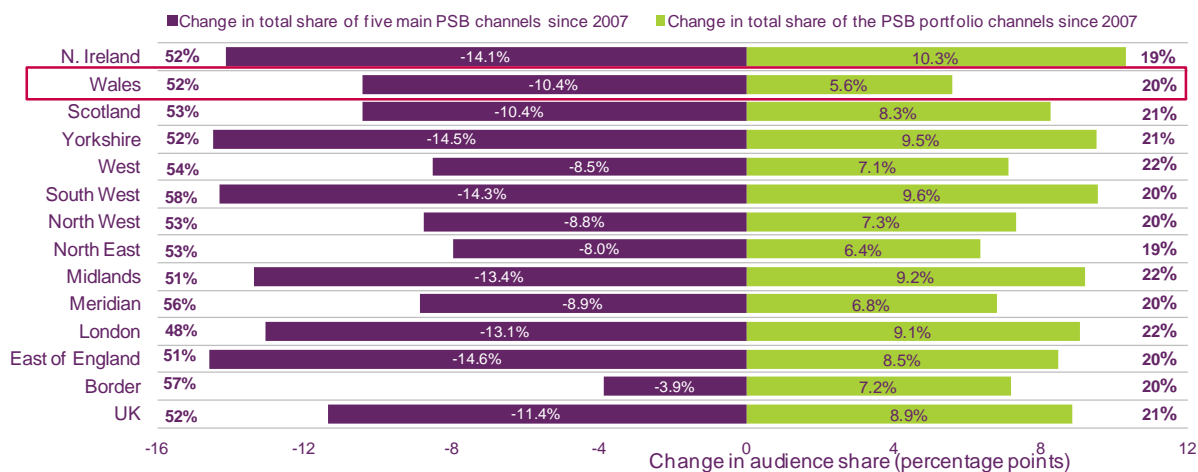
Note: Following digital switchover in Wales in 2010 S4C ceased to carry Channel 4 content. S4C is therefore included in the main PSB channels in 2007 but not in 2012. S4C's share in Wales in 2012 is 1.3%.

The PSB channels' total combined share (including digital channels) decreased by 4.8pp between 2007 and 2012, more than the UK average net loss of 2.5pp

From 2007 to 2012, the main five PSB channels experienced a 10.4pp decrease in their combined share of total TV viewing (compared to the UK average decrease of 11.4pp). Among viewers in Wales, the PSB portfolio channels enjoyed an increase of 5.6pp (UK average 8.9pp); resulting in a net loss overall of 4.8pp in the total combined channel share -

higher than the UK average net loss of 2.5pp and more than that experienced in any of the other nations.

Figure 2.7 Net change in the audience share of the five main PSB channels and their portfolio channels, all homes: 2007-2012



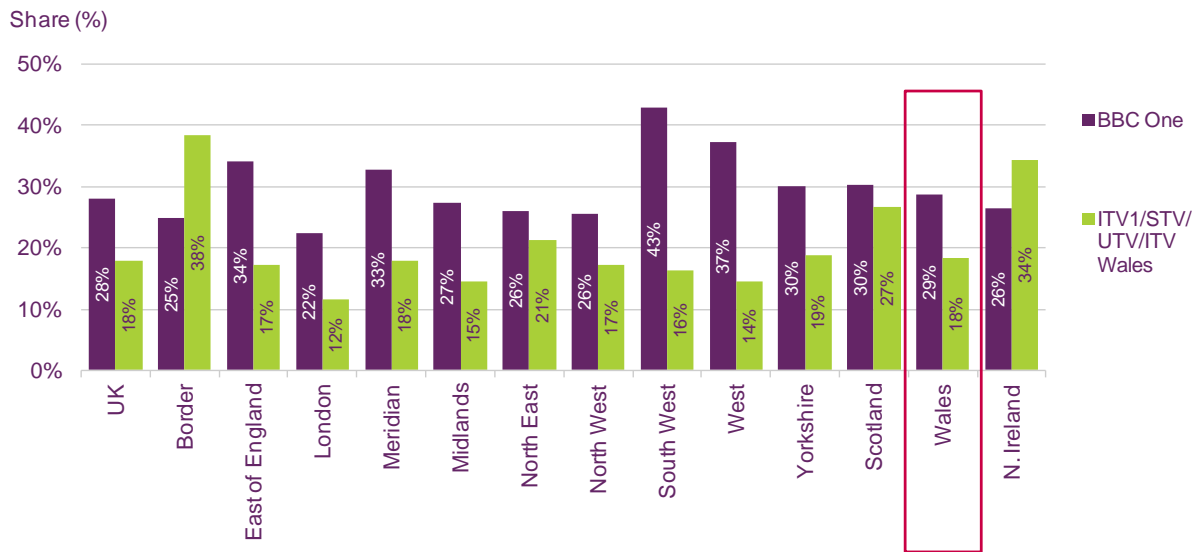
Source: BARB, all individuals (4+)

Notes: i) PSB main channels include HD variants but not +1s. 'PSB portfolio channels' include main PSB +1 channels and the PSB digital channels and their respective +1s). ii) Following digital switchover in Wales in 2010 S4C ceased to carry Channel 4 content. S4C is therefore included in the main PSB channels in 2007 but not in 2012. S4C's share in Wales in 2012 is 1.3%. iii) In 2010 a new BARB panel was introduced, including the re-defining of boundaries. Therefore, pre and post panel change data should be compared with some caution.

BBC One early evening news bulletins attracted 29% share in Wales

In 2012, BBC One's early-evening nation's news bulletin attracted an average 29% share of TV viewing in Wales – broadly in line with the UK average of 28%. ITV Wales' counterpart bulletin attracted a lower average share (18%) than BBC One's, which was also the lowest across the nations. The viewing figures in Wales remain broadly unchanged since last year.

Figure 2.8 BBC One and ITV,/STV,/UTV,/ITV Wales early-evening news bulletin shares, all homes: 2012



Source: BARB, all individuals (4+)

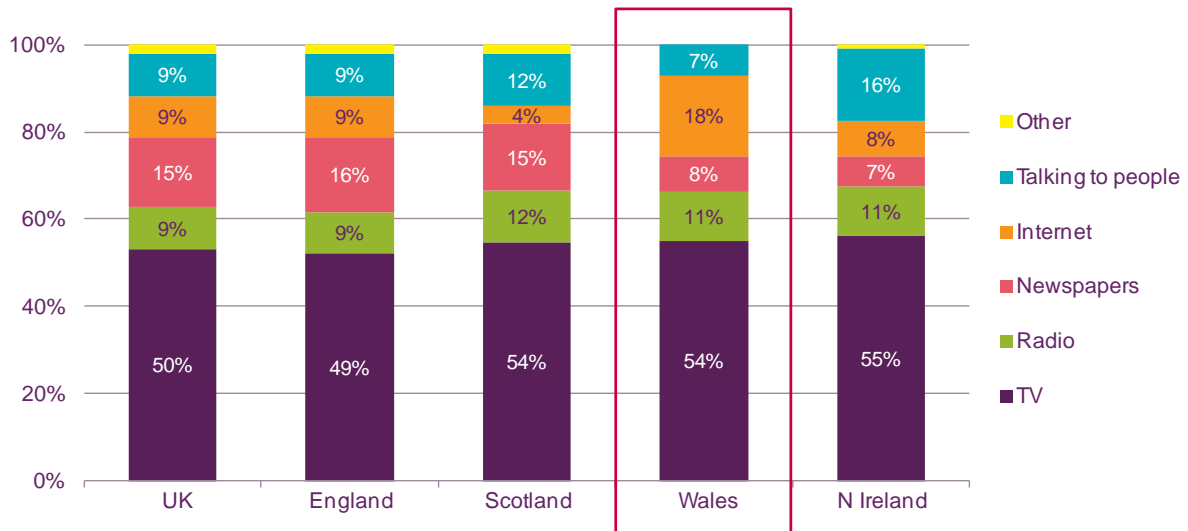
Note: Based on regional news prog, start time 17:55-18:35, 10 mins+ duration, BBC One and ITV, weekdays.

Over half of adults in Wales name TV as their main source of local news

In 2012, 54% of adults in Wales stated that TV was their main source of local news, marginally higher than the UK average of 50%. The internet was second with 18%, while talking to people scored lowest across the nations, with 7% citing it as their main source of local news.

Figure 2.9 Main sources of local news, by nation

‘Can you tell me what, if anything, is your main source of news about what is going on in your own local area’



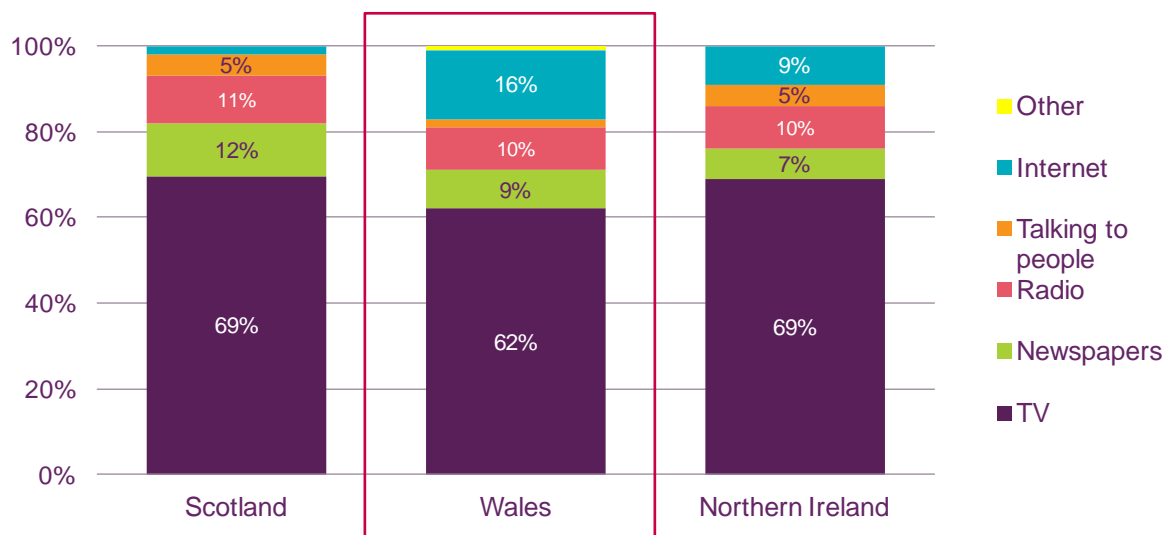
Source: Ofcom Media Tracker 2012.

Base: All adults; England (1,434); Scotland (189); Wales (118); Northern Ireland (113). Only responses ≥ 3% labelled

In 2012, 62% of adults in Wales stated television as their main source of news about their nation – the lowest figure across the nations. 16% of respondents cited the internet as their second main source of news. This is considerably higher than in Scotland and Northern Ireland (2% and 9% respectively).

Figure 2.10 Main source of nations’ news for each nation

‘Can you tell me what, if anything, is your *main* source of news about what is going on in [Scotland, Wales, Northern Ireland]?’



Source: Ofcom Media Tracker.

Base: All respondents in Scotland (189), Wales (118), Northern Ireland (113). Only responses ≥ 3% labelled.

2.5 TV programming for viewers in Wales

The following section outlines spend and hours of programming for viewers in Wales, Scotland, Northern Ireland, and the English regions provided by the BBC and ITV /UTV /STV. The figures exclude Gaelic and Welsh language programming but include some spend on Irish-language programming by the BBC. See section 2.7 for details on S4C.

Programme definitions

First-run originations - Programmes commissioned by or for a licensed public service channel with a view to their first showing on television in the United Kingdom in the reference year.

First-run acquisitions - A ready-made programme bought by a broadcaster from another rights holder and broadcast for the first time in the UK during the reference year.

Repeats - All programmes not meeting one of the two definitions above.

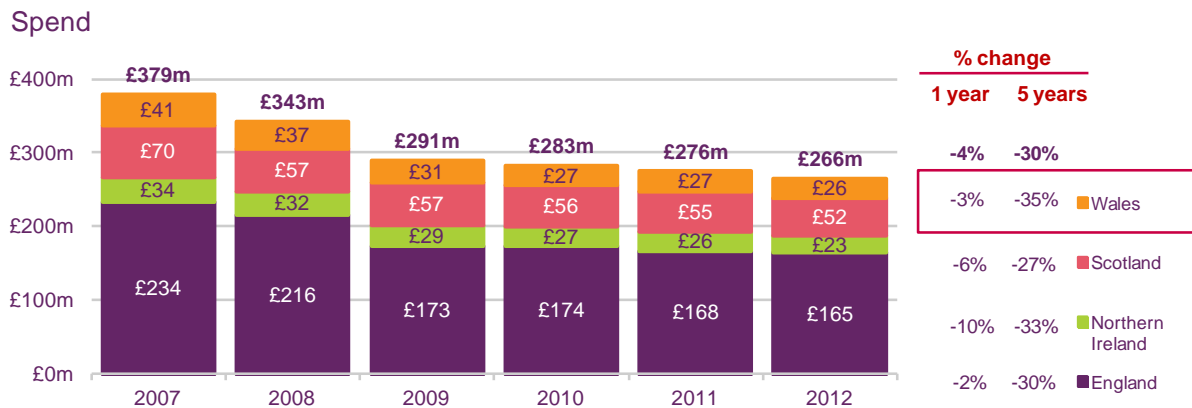
Spend on first-run originated content for viewers in Wales decreased by 3% year on year

In 2012, £266m was spent by the BBC and ITV /STV /UTV on producing first-run originated programmes specifically for viewers in Wales, Scotland, Northern Ireland and the English regions, down by £10m (or 4%) from 2011 and down by 30% since 2007.

Spend in Wales decreased by over a third (35%) between 2007 to 2012. This figure is below the UK average and gives Wales the highest relative decrease across the nations over the five-year period.

At £26m, spend by the BBC and ITV on first-run originated TV content specifically for viewers in Wales was down 3% year on year.

Figure 2.11 Spend on first-run originated nations/regions' output by the BBC /ITV /STV /UTV



Source: Broadcasters. All figures expressed in 2012 prices.

Note: Spend data for first-run originations only. Spend excludes Gaelic and Welsh language programming but includes some spend on Irish language programming by the BBC. This does not account for total spend on BBC Alba or BBC spend on S4C output.

Total spend on non-news programming for people in Wales increased by 8% year on year

Turning to total spend, Wales increased its spend in 2012 on non-news/non-current affairs by 8% from 2011. Conversely, year-on-year spending on news in Wales was down by 14%.

Figure 2.12 Change in total spend on nations' and regions' output, by genre and nation: 2007-2012

	UK		England		N. Ireland		Scotland		Wales	
	1yr (%)	5yr (%)	1yr (%)	5yr (%)	1yr (%)	5yr (%)	1yr (%)	5yr (%)	1yr (%)	5yr (%)
Current Affairs	-5%	-28%	-8%	-36%	5%	-28%	-3%	6%	-5%	-31%
News	-3%	-22%	-1%	-21%	-2%	-21%	-13%	-32%	-14%	-22%
Non-news/non-current affairs	-5%	-43%	7%	-86%	-19%	-41%	-5%	-27%	8%	-40%
Total Spend in 2012	£271m		£168m		£23m		£53m		£27m	

	UK		England		N. Ireland		Scotland		Wales	
	1yr	5yr	1yr	5yr	1yr	5yr	1yr	5yr	1yr	5yr
Change in Spend	-4%	-29%	-2%	-28%	-10%	-33%	-7%	-26%	-2%	-34%

Source: Broadcasters. All figures expressed in 2012 prices.

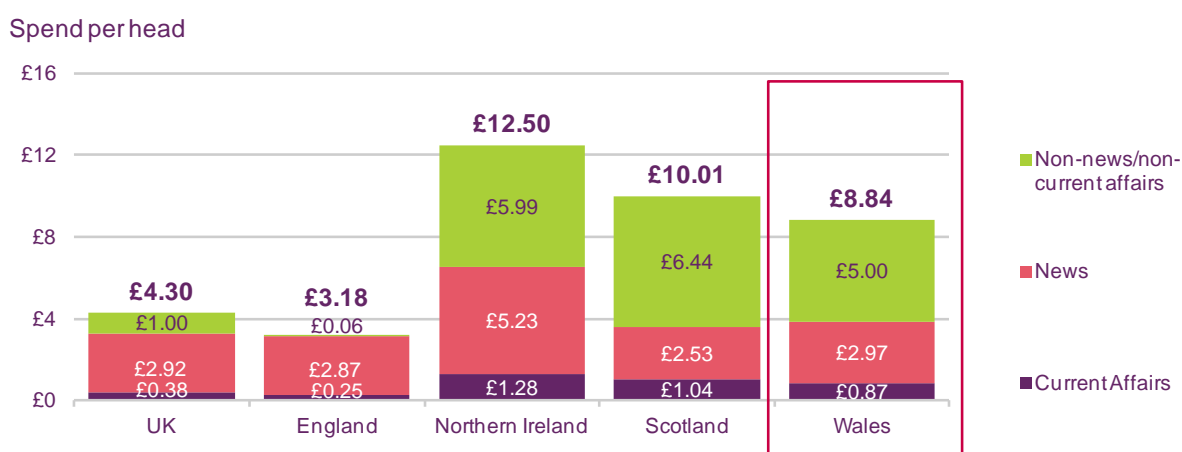
Note: Spend excludes Gaelic and Welsh language programming but includes some spend on Irish-language programming by the BBC. This does not account for spend on BBC ALBA or BBC spend on S4C output.

Expenditure per head of population in Wales decreased 3% year on year

Expenditure per head of population on content for people in Wales decreased by 3% to £8.84 in 2012.

Spend per head on non-news/non-current affairs accounted for more than half of total spend (57%); news accounted for a further 34%, with current affairs making up the remainder.

Figure 2.13 Total spend per head by the BBC /ITV1 /STV /UTV on nations' / regions' output: 2012



Source: Broadcasters. All figures expressed in 2012 prices.

Note: Spend excludes Gaelic and Welsh language programming but includes some spend on Irish-language programming by the BBC. This does not account for spend on BBC ALBA or BBC spend on S4C output.

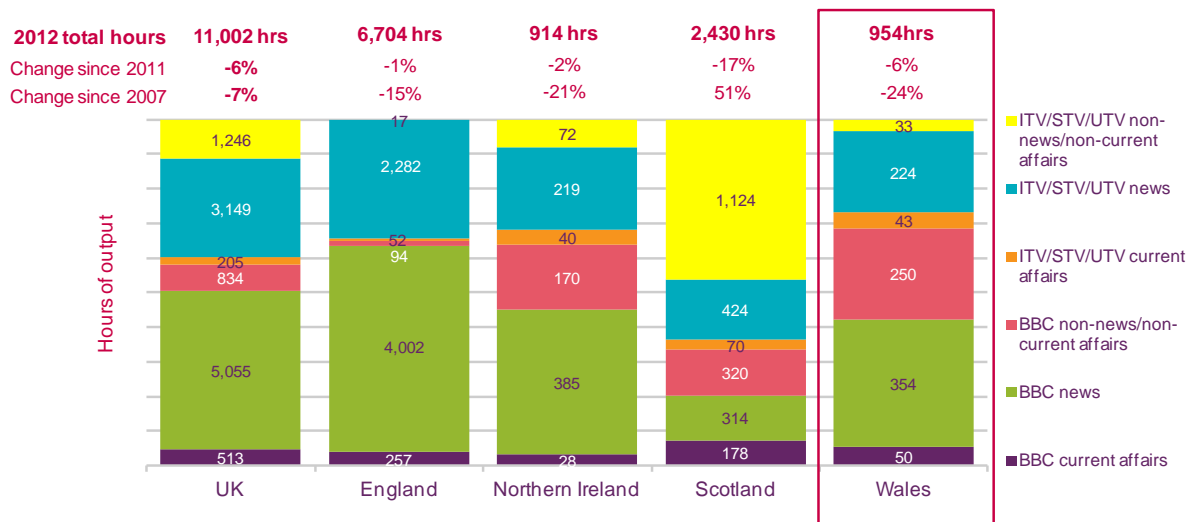
First-run originated hours in Wales down by almost a quarter (24%) since 2007

The BBC and ITV1 /STV /UTV produced a total of 11,002 hours of first-run originated content for the English regions, Scotland, Wales and Northern Ireland in 2012, down 6% (or 645 hours) since 2011, and down 7% (857 hours) since 2007.

Wales had the largest relative reduction in first-run originated nations' output over the five-year period; down by almost a quarter (24%) since 2007 to 954 hours in 2012.

Over a one-year period, however, the number of first-run originated hours decreased by 6% in Wales, which is on par with the UK-wide average decrease of 6%.

Figure 2.14 Hours of first-run originated nations' / regions' output, by genre and broadcaster: 2012



Source: Broadcasters.

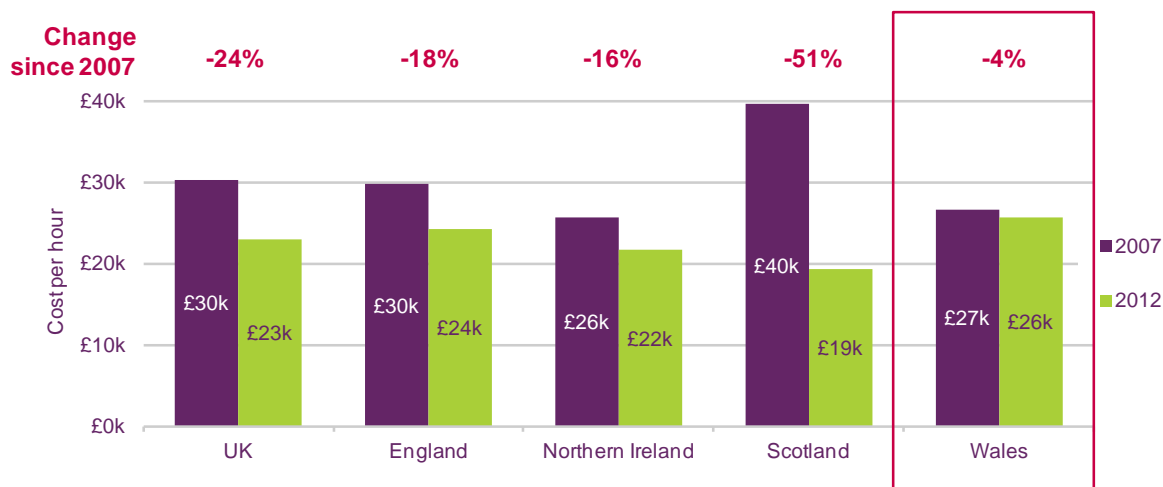
Note: Hours data for first-run originations only. Hours excludes Gaelic and Welsh language programming but includes some spend on Irish language programming by the BBC. This does not include total hours for BBC ALBA or BBC hours on S4C output.

Total cost per hour for nations' programming has decreased 4% since 2007 for Wales – the lowest across the nations

When analysing the cost of making programmes for the nations, cost-per-hour calculations show that England, Northern Ireland and Scotland produced programmes more cost-effectively in 2012 than in 2007.

Over the five-year period, cost per hour decreased by 4% in Wales, compared to the UK average reduction of 24%.

Figure 2.15 Cost per hour for total nations' and regions' output, by nation: 2007–2012



Source: Broadcasters. All figures expressed in 2012 prices.

Note: Spend excludes Gaelic and Welsh language programming but includes some spend on Irish language programming by the BBC. This does not include hours or spend on BBC ALBA or BBC hours and spend on S4C output.

2.6 PSB television quota compliance

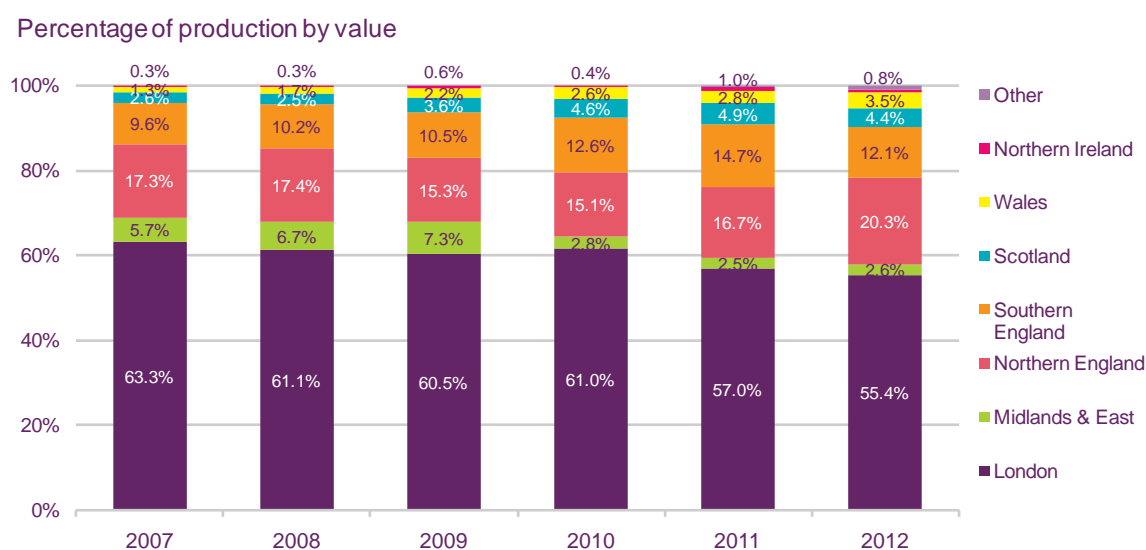
Share of spend in Wales continued to grow, rising to 3.5% in 2012

Figure 2.16 illustrates the distribution of spend on qualifying first-run originated network programming by the five main PSB channels. In 2012 55.4% of qualifying expenditure was devoted to productions made within the M25 - down from 57% in 2011. A further 20.3% of first-run spending was captured by producers based in the North of England and 12.1% in southern England.

Share of spend dedicated to Wales continued to grow, with the figure rising to 3.5% in 2012 from 2.8% in 2011. In Scotland, first-run productions accounted for 4.4% of expenditure of network programming, down marginally on 2011 and, as in the South of England, reversing the trend of growth seen between 2008 and 2011. In the Midlands and eastern England, expenditure on first-runs rose marginally to 2.6%, while in Northern Ireland the share of total spend declined to 0.8% from 1% in the previous year.

In 2012, expenditure on originated network productions rose particularly strongly in northern England, where it increased by 3.6 percentage points, primarily driven by the BBC relocating a significant production base to Salford during the year. The increase came at the expense of southern England, which bucked the positive trend of the previous years as its share of overall spend on qualifying first-run commissioned network programming contracted by 2.6 percentage points compared to 2011.

Figure 2.16 Expenditure on originated network productions: 2007-2012



Source: Ofcom/broadcasters.

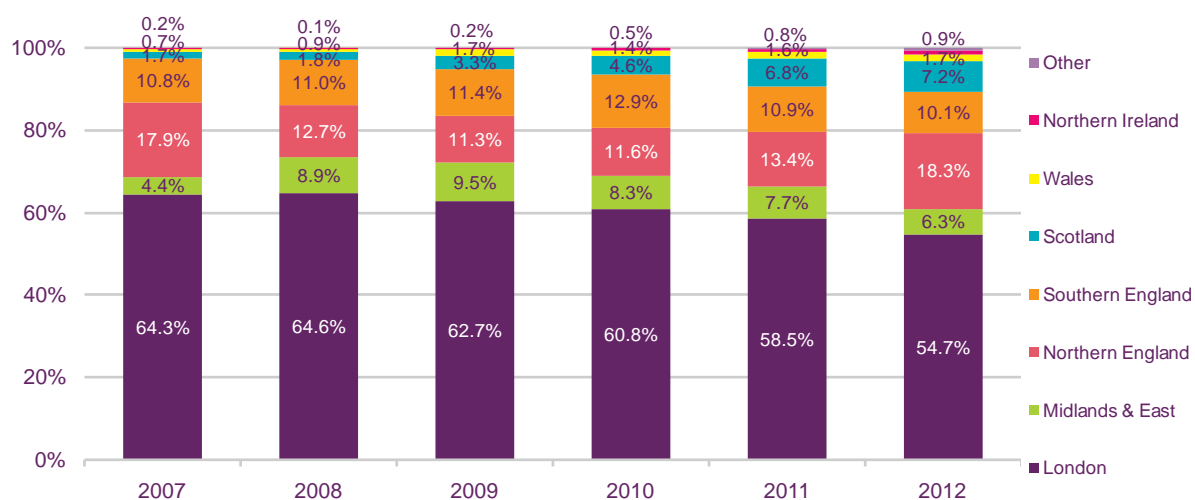
Note: A new category 'Other' has been created for regional productions from London producers which do not meet both 70% of spend and 50% of talent in any one particular macro region. See http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg_prod/ on Ofcom website for further details.

Volume of productions in Wales increased to 1.7% in 2012

In terms of volume, 54.7% of first-run network programming in 2012 was produced within the M25, down from 58.5% in 2011. A further 18.3% was produced in northern England, 10.1% in southern England and 7.2% in Scotland. In line with the spending trends discussed in the previous section, the North of England was a particular success story in 2012, having increased its share of first-run network programming hours by 4.9 percentage points.

Producers in Wales delivered 1.7% of all first-run hours in 2012 (up from 1.6% in 2011); the comparable figure for the Midlands and East was 6.3%. First-run hours produced in Northern Ireland increased marginally to 0.9% in 2012 (Figure 2.17).

Figure 2.17 Volume of originated network productions: 2007-2012



Source: Ofcom/broadcasters.

Note: A new category 'Other' has been created for regional productions from London producers which do not meet both 70% of spend and 50% of talent in any one particular macro region. See http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg_prod/ on Ofcom website for further details.

2.7 Welsh language programming

Spend on, and hours of, Welsh-language output

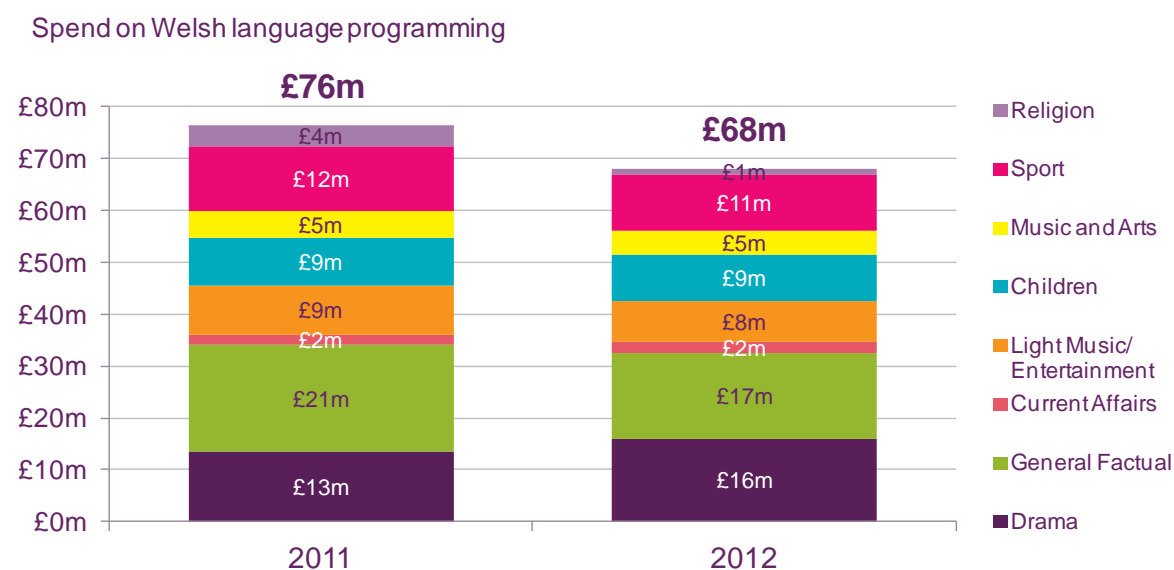
The BBC has a statutory obligation to provide S4C output, which is funded from the BBC's licence revenue. The 2012 obligation was to provide S4C with ten hours of output per week (520 hours per year) which the BBC exceeded by 47 hours in 2012, totalling 567 hours.

In 2011, the BBC Trust and the S4C Authority renewed their existing agreement, to maintain the partnership between the two broadcasters until 2013. New provisions include the immediate availability of all BBC-produced S4C programmes on the BBC iPlayer and a commitment to deliver popular Welsh-language soap opera *Pobol y Cwm* in high definition. The agreement also confirmed the reduction in funding for the 520 hours of programming, to £19.4m in 2011/12 from £23.5m in 2010/11.

S4C spent £68m on first-run commissioned programming in 2012²⁷; an 11% fall in real terms on 2011. This was the second consecutive year of decline in spend.

²⁷ £68m excludes the BBC's 2012 statutory contribution.

Figure 2.18 Spend by S4C on first-run Welsh-language programming



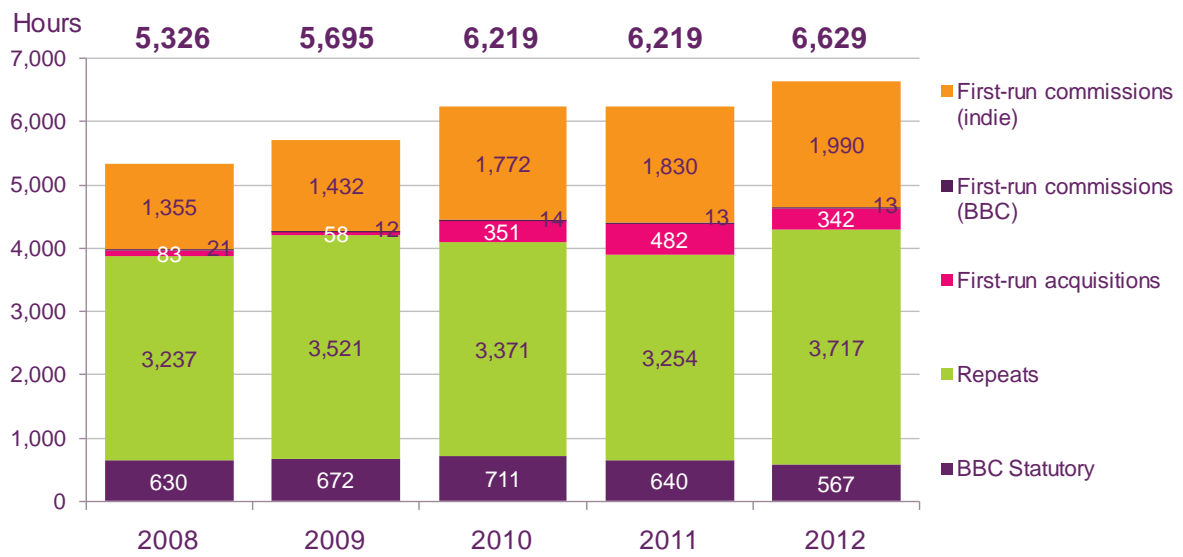
Source: S4C. All figures expressed in 2012 prices. Note: BBC statutory hours for S4C are per calendar year. BBC's financial contribution for S4C statutory hours are reported by financial year in BBC accounts but are reported by calendar year in the S4C Annual Report.

The total number of hours broadcast by S4C in 2012 rose by 410 hours to 6,629 hours, which was driven by increases in repeats and first-run commissioned output from independent producers. Repeats continued to make up the majority of the channel's output, accounting for 56% of all programming during the year. Repeated hours were up by 14%; from 3,254 hours in 2011 to 3,717 hours in 2012. First-run commissions from indie companies increased by 9% year on year, bringing the total to 1,990 hours in this category.

In contrast, first-run acquisitions experienced the steepest decline, as the number of hours in this category fell by 29% to 342 hours in 2012, which was below the 2010 level of 351 hours. The percentage fall in the BBC statutory programming hours was also in double digits (-11%), while first-run commissions from the BBC were flat year on year.

In terms of overall first-run commission hours, children's programming and drama experienced steep increases of 45% and 39% respectively, followed by a 12% increase in programming dedicated to light music and entertainment. These three genres were the reason behind the 9% growth in overall first-run commission hours, bringing the total to 2,003 hours in 2012. All other categories, comprising general factual, current affairs, sport and religion, experienced year-on-year declines.

Figure 2.19 Type of Welsh-language output on S4C, by hours



Source: S4C.