

S4C's Response to the Future pricing of spectrum used for terrestrial broadcasting Consultation

Introduction

S4C is a statutory corporation originally established under the Broadcasting Act 1981 and now regulated by the Communications Act 2003 and the Broadcasting Act s1990 and 1996. S4C (Sianel Pedwar Cymru – the Welsh Fourth Channel, www.s4c.co.uk) was established to provide a broad range of high quality and diverse programming in which a substantial proportion of the programmes shown are in Welsh. S4C currently broadcasts S4C on analogue, S4C Digidol and S4C2 on the digital platforms and the best of its content on broadband. On S4C analogue S4C broadcasts the best of Channel 4. S4C has a crucial role to play in providing entertainment and news through the Welsh language throughout Wales and beyond via its services.

S4C is uniquely funded through a mixture of grant in aid and advertising and commercial revenue. It has an annual turnover of just over £95 million, and receives some programming from the BBC. During 2005 £8m was spent on carriage costs.

Like the other established public service broadcasters, S4C is having to manage the technological challenges of switchover and the rise of other new platforms and other technological development that will become the norm over the next 10 years.

S4C Digidol (the Welsh language only service) and S4C2 are currently carried on capacity reserved for S4C on Mux A (50% of the capacity in Wales is reserved for use by S4C Companies). S4C has always operated in a manner that ensures that it utilises that which it requires and frees up the capacity to ensure most efficient use. S4C pays a commercial fee to its multiplex operator for this carriage (price available to Ofcom on request). S4C is no longer a multiplex operator.¹ Post switchover the S4C public services will be carried on the BBC public service multiplexes. We fully expect that S4C's services will be UK wide on DTT post switchover (as opposed to Wales only).

Question 1

Do you agree with Ofcom's conclusion that AIP should, in principle, be applied to all terrestrial broadcasting uses of spectrum, as to other spectrum uses? Please set out the reasons for your view, and any evidence or analysis that you can provide to support your position.

We understand the rationale behind AIP and accept that once the principle is accepted it follows that all users are treated equally. The question for S4C is what affect

¹ Following sale of share in SDN to ITV during 2005

the introduction of AIP would have on our ability to deliver our public service remit? It is self evident that if AIP means additional cost for S4C, any monies taken from the operating budget of S4C could, unless a counter funding mechanism is introduced, have an adverse effect on the monies available for final output. We welcome the recognition by Ofcom that the most significant issue is the potential impact on the financial capacity of broadcasters to deliver psb and how to maintain the desirable level of such services once AIP has been introduced (if it means additional cost to S4C).

We agree that a suitable mechanism should be applied, as a matter of policy, to take into account the impact on a publicly funded body such as S4C of any rise in costs associated with AIP. We see AIP as one part of a much bigger jigsaw that is slowly being assembled. To illustrate, and in respect of DTT only, we do not have any visibility on the carriage and associated costs during and after switchover. Nor do we know how the guaranteed capacity on the public service Mux will operate (for example, will all our services be deemed "must carry" or will capacity be reserved for S4C? Will S4C have any pre-emption rights on additional capacity? Will we be charged by the BBC? Will there be a cap on any costs charged by the BBC?).

The affect of AIP on S4C will not be limited to DTT broadcasting capacity. It could also have an indirect impact on our operating budgets. We use spectrum in many ways other than broadcasting. Much of our programme creation and contribution relies on spectrum being available to third parties such as satellite and link operators. Productions rely heavily on radio talk-back, radio cameras, microphones and links. All of this will undoubtedly have an impact on baseline costs in commissioning and delivering programs ready for transmission.

We agree with Ofcom that there will be an opportunity to address all the issues together in the independent review of S4C due in 2008/9 and Ofcom's next review of public service broadcasting and in wider government policy. Our planning mechanisms are geared towards these milestones.

Question 2

Do you agree with Ofcom's proposals for the timing of introduction of AIP on spectrum used for terrestrial broadcasting?

S4C believe the new proposal for the introduction of AIP of 2014 is to be favoured to the original proposal of 2010 for PSB and 2014 for Commercial broadcasters. To introduce AIP during the midst of the Digital switchover programme, would be unfair as there are substantial other financial and resource uncertainties and burdens that we will be facing during this period. There is so much uncertainty for S4C on carriage costs and de commissioning costs from 2010 that the addition of AIP would have been most unwelcome and would have made budgeting and future projections even more difficult than at present. It would also have been difficult to implement policy decisions arising from the next round of public service reviews.

Switchover will be complete by 2014 and the policy decisions arising from the public service reviews will have had time to be implemented so this would seem a more acceptable time to implement any such AIP charging.