

**BASIC DETAILS**

**Consultation title: Third PSB Rev**

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To (Ofcom contact): Gareth Barr

Name of respondent: Lee Waters

Representing (self or organisation/s): Institute of Welsh Affairs

Address (if not received by email):

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Name Lee Waters

Signed (if hard copy)



## **Response to Ofcom Consultation: "Public Service Content in a Connected Society"**

### **Introduction and Context**

The Institute of Welsh Affairs (IWA) is an independent think tank. We are a registered charity and owe no allegiance to any political or economic interest group.

As we receive no funding from Government, and have a membership drawn from across the spectrum, we are uniquely placed to comment.

The Institute of Welsh Affairs welcomes this opportunity to respond to Ofcom's consultation on its third Review of Public Service Broadcasting. We note that, unlike previous reviews the scope of this review has been widened to include the impact of radio and on-line content. It also takes account of the provisions of the Digital Economy Act in addition to Ofcom's primary duties relating to PSB set out in the 2003 Communications Act.

In addressing the themes set out in the consultation document, it is worth noting that, in

our view, Wales faces something of a paradox. The process of devolution is continuing apace. While there is an imminent prospect of further powers for the National Assembly and Welsh Government, coverage of matters relating to Wales within many key sectors of the media has diminished, is diminishing and could diminish further to a point where there would be only limited public discussion of Welsh affairs and very little scrutiny of the actions and policies of government in Wales.

Following the Scottish referendum last year and the current constitutional discussions impacting on all the constituent nations of the UK, the IWA has launched a 'Crowd Sourced' Constitutional Convention on the future of Wales and the UK, with broadcasting featuring as a key theme in stage one<sup>1</sup>, asking '*What is the UK for? If there's to be a Union what should it do?*'.

Although responsibility for broadcasting currently lies with the Westminster Government, it is nevertheless, an area of vital interest to Welsh democratic institutions and civil society. The bridges between political institutions and the electorate in Wales are fewer and weaker than in Scotland or Northern Ireland, or in the UK generally. Perversely, the decline in television output for Wales over the last decade has run counter to the continuing development of a Welsh polity. Wales cannot afford to see any further weakening of broadcast provision, indeed we must look to strengthen it.

We have already given evidence to this effect to the Commission of Devolution in Wales (the Silk Commission), arguing also for far greater involvement by the Welsh Government in broadcasting issues as well as changes in the structures and behaviours of broadcasting organisations and of Ofcom itself. Wales has much at stake in this UK wide debate.

**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?*

Broadly yes. In Wales, as in the rest of the UK, the PSB broadcasting institutions, BBC Cymru Wales, S4C and ITV Cymru Wales have all played a major part in supporting and developing the cultural life of Wales, providing a range of programmes about the life of the nation. However, partly due to the pressures identified in Ofcom's analysis, there has been a significant reduction in the volume of output for Wales and a narrowing of its range. It is a matter of deep concern that the total reduction in spend on television programming for Wales across BBC and ITV is greater than the corresponding reductions in any other part of the UK – a reduction of 32% in spend on English language programming across BBC and ITV and a reduction of 36% in spend on Welsh language programming. This has narrowed significantly the range of output. We can find no public service justification for such a disproportionate reduction.

Securing a Channel 3 licence for Wales and ensuring that ITV provides the same

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<sup>1</sup> <http://www.clickonwales.org/2015/01/help-shape-our-constitutional-convention/>

volume of news and non-news programming for Wales that was agreed following the outcome of Ofcom's second PSB Review, have been important developments, ensuring that there is plurality of PSB supply and competition, at least within news and current affairs, with BBC Cymru Wales<sup>2</sup>. Both broadcasters also provide current affairs programmes in the Welsh language to S4C, which is an example of how the Welsh language broadcaster also contributes to plurality, providing a platform for controversial issues to be debated from a variety of perspectives.

BBC Cymru Wales has had to deal with a 16% cut in funding spread over a period of five years through Delivering Quality First, while S4C has faced a real terms cut of 36% in funding. There is no public data about the funding of ITV's programmes for Wales, but it is safe to assume that the Channel 3 service has also been under severe pressure, in line with the overall drop in funding of first run programmes for Wales between 2008 and 2013 noted by Ofcom,. In order to ensure the sustainability of ITV's service for Wales, the broadcaster has been forced in practice to reduce its independent commissions and source most of its non-news programming in-house.

Independent production companies based in Wales have coped with a shrinking domestic programme supply market, although many have been able to compete for commissions from UK broadcasters and internationally in order to develop their businesses. As elsewhere in the UK there has been significant consolidation, with the creation in Wales of two dominant companies, Tinopolis and Boom/Two Four. A significant number of smaller Welsh companies remain.

The consultation document also identifies how the disruptive impact of the Internet on traditional media markets, coupled with increasing super-fast connectivity, has had an impact on audience behaviour and expectations. In our view, Ofcom is correct in identifying the emerging generation gap between young and old. For example, Wales has a significant proportion of adults - around 21% of the population - that are, according to Welsh Government definitions, digitally excluded and not on-line<sup>3</sup>.

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

Compared to the rest of the UK, the key difference in Wales is the comparative weakness of the indigenous press and Wales-based commercial media when compared to the scale of the BBC. The print circulation of Wales' only national daily paper, the Western Mail, has now fallen below 20,000<sup>4</sup>. It has been estimated that more than 90%

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<sup>2</sup> It should be noted that the BBC also provides S4C's news service.

<sup>3</sup> <http://www.digitalinclusionwales.org.uk/wiki>

<sup>4</sup> ABC circulation data: 29.12.14 – 25.1.15

of the daily papers read in Wales are produced in London<sup>5</sup>. They contain no regular content on Welsh issues.

The consultation identifies that listening to commercial radio in Wales is the lowest across the UK. Following significant consolidation in the sector, commercial radio's music led format appears to offer little that is distinctive to listeners in Wales and, due to severe cuts in staff levels, very few journalists now work in the sector. By contrast, there has been significant growth in the number of community radio stations in Wales and they are to some extent redressing the balance, making up for the minimal local content on the commercial stations. But community radio, delivered primarily by volunteers, faces its own challenges in securing public funding from cash strapped local authorities and other public sources. Although the recent liberalisation proposed by the DCMS is very welcome, particularly in north Wales where many community stations under the present regulations are not able to raise any commercial income.

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

As is implied in our answer to question 2, we believe that PSB provision in Wales is in only moderate health. It is fragile and more susceptible to some of the structural and global challenges identified in the consultation document.

**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 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?*

The PSBs have collectively attempted to maintain services for viewers and listeners in Wales despite the significant cuts identified earlier. But range and diversity has suffered. Section 3.417 identifies that both BBC and ITV produced significantly less programming for Wales in 2013 than in 2008, a reduction of 17% in the case of BBC Cymru Wales and a 31% reduction for ITV Cymru Wales. In particular, non-news programming on BBC Cymru Wales fell from 302 hours in 2008 to 222 hours in 2013 (a 26% reduction in hours).

In a speech<sup>6</sup> given in Cardiff in April 2014 the BBC's Director General, Tony Hall,

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<sup>5</sup> Noted in various Welsh Affairs Select Committee reports on Broadcasting in Wales, from 1999 onwards.

<sup>6</sup> <http://www.clickonwales.org/2014/04/bbc-director-general-speech-at-the-pierhead/>

underlined the significance of this change. He said:

“We must also acknowledge that English language programming from and for Wales has been in decline for almost a decade. The reduction in ITV Wales’ contribution has played a big part in this – but the BBC’s output has also been eroded. What does that mean for audiences here? It means, inevitably, that there are some aspects of national life in Wales that are not sufficiently captured by the BBC’s own television services in Wales, and I would include comedy, entertainment and culture in those categories.

Does this matter? Of course it does: the vitality of any nation must surely rest on more than its journalism. One cannot fully realise a nation’s creative potential or harness its diverse talents through the important, but narrow, prism of news..... I do believe the BBC will need to think hard about how it strengthens its support for national and regional self-expression as it prepares its case for a new charter.”

**Question 6:** *Is declining investment affecting the quality of PSB and is it a cause for concern?*

As noted in the consultation document, only the BBC and Channel 3 services (and S4C in Wales) provide content dedicated to the needs and interests of the nations and regions of the UK. We note also Ofcom’s observation that, *“there are no legislative or regulatory levers to guarantee specific levels of funding of news for the nations and regions”*.<sup>7</sup>

While audience satisfaction levels, as identified by Ofcom’s tracker data and other sources, remain high in broad terms, we believe that any further cuts in spending for these services will be noticed by viewers, and the quality of these services will not be sustained. We therefore agree with the Ofcom’s conclusions in section 7.6 of the consultation document,

*“However, any continuation of the decline in real-terms investment in first-run original UK programmes may be noticed by audiences, if broadcasters were unable to address such a decline through further efficiencies or new sources of revenue, and if the volume, range or quality of programmes began to suffer as a result.”*<sup>8</sup>

*We would also note that the cost per hour of programming for Wales has already been severely squeezed, in some instances to a point where tariffs are financially unproductive for independent companies.*

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<sup>7</sup> Section 3.161

<sup>8</sup> 7.6, Page 124

**Question 7:** *Do you agree with Ofcom's provisional findings in the Review of C4C's delivery of its media content duties?*

It is too early to measure the effectiveness of the new quota requirement for Channel 4 to source 9% its programmes commissions from the nations (excluding England). We understand that the output should increase to around this level by 2020 and we hope that this new quota will therefore have a positive impact on the ability of independent producers based in Wales to obtain commissions with the broadcaster.

**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?*

We agree with Ofcom's assessment of the potential risks to the system. It follows in Wales that existing levels of public funding remains crucial to the continued health of the its PSB institutions. The licence fee income remains a key source of funding and any reductions could have a disproportionate impact on broadcasting in Wales. We therefore agree with Ofcom's assessment that the system could be at risk if there were a future reduction in the BBC Licence Fee. Similarly, Parliament has already created a duty through the Public Bodies Act for the DCMS Secretary of State to ensure that the S4C service receives sufficient funding.<sup>9</sup> As the bulk of S4C's funding is now derived from the licence fee it is vital that in any future BBC Charter negotiations, S4C maintains its operational, managerial and editorial independence.

A particular threat could be increased production cost inflation and competition from new entrants and there may well be limits on the ability of PSBs to compete, for example, for sports coverage rights in a global market. Of particular concern for Wales is that the Six Nations Rugby Championship is not fully protected under the present listed events legislation.

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

In our view, it is correct to re-examine the effectiveness of Due Prominence as a regulatory mechanism to secure benefits for the PSBs. Exemption from future spectrum payments such as Administered Incentive Pricing should also be considered.

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<sup>9</sup> Section 33, Public Bodies Act 2011

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

The consultation document notes that the availability of commercial DTT multiplexes is lower in Wales than in England and Scotland. There are a large number of relay transmitters present in Wales and the commercial operators have decided not to invest in transmission equipment at these sites. Lack of investment has also impacted on HDTV availability in Wales. Currently ITV Cymru Wales' programmes are only broadcast in standard definition (SD) and viewers watching ITV 1 HD in Wales currently see news from the English midlands. Equally, BBC Two Wales is an SD service only, although BBC One Wales is available in HD. S4C was gifted capacity to launch Clirlun on Freeview, an HD simulcast of its SD service, but due to cuts in funding the service was discontinued. The lack of an HD version of the ITV service for Wales could be a particular problem in terms of democratic inclusion in Wales as viewers of ITV 1 HD service will not see any coverage of the National Assembly elections to be held in 2016.

New technology may also act as a disrupter to the current incentives created for the benefit of the PSBs. For example, EPG prominence may be under threat from changing audience behaviours. Rather than scanning a list of channels, viewers may go straight to their content of choice, for example Ntflx, via an app through a smart TV or other on-line device and by-pass the EPG altogether.

In Wales, universal availability of next-generation broadband should become a reality through public interventions such as the Welsh Government's Superfast Cymru procurement, which aims to provide a minimum of 24 mbps to 96% of premises in Wales by mid 2016. Such connectivity can be seen as a threat to conventional PSB delivery, but it must also be seen as an opportunity. BBC Cymru Wales, S4C and the independent sector have developed a wide range of apps and other digital services to deliver innovative programming and content to on-line audiences. As audiences fragment across new-platforms the PSBs will have to find new and engaging ways to deliver content to them and this growth of technology and connectivity could offer new creative possibilities for content producers in Wales.

An interesting example, which demonstrates the opportunities and the barriers to entry is the way in which the S4C video on demand app, Clic, has developed. The app was originally available via iOS, Android and later through the on demand service, You View. It is also available as an on-demand service via the web, but it was not present on the full range of smart TVs sold on the high street. However, more recently, S4C's programmes are being provided as a dedicated channel on the BBC's iPlayer so viewers can watch S4C's content on any smart TV that provides the iPlayer app. It is important, therefore, for the PSB Review to consider the potential 'gate keeper' roles that the commercial Smart TV set manufacturers may have.

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

As identified in our response to question 1, there has been consolidation in the independent sector in Wales, but there remains a large number of small and medium sized independent companies in the market and we believe that there is no case currently for radical changes in the independent quota or Commissioning Codes. In our view, independent companies working in Wales still need the current legislative interventions to remain sustainable and viable as businesses.

**Institute of Welsh Affairs**  
**25 February 2015**