

**Response to DCMS review of S4C,
under the auspices of Euryrn Ogwen Williams**

IWA Media Policy Group

10th October 2017

1. About the IWA

The Institute of Welsh Affairs is an independent think-tank. Our only interest is in seeing Wales flourish as a country in which to work and live. We are an independent charity with a broad membership base across the country. We aim to bring people together from across the spectrum in a safe space where ideas can collide and solutions can be forged in our five priority areas: the economy, education, governance, health & social care, and the media in Wales.

2. IWA Media Policy Group

The IWA Media Policy Group guides and informs our policy priorities. Its members include practitioners, academics and policy professionals with expertise across a diverse range of media platforms and issues. A list of members is available on request. The purpose of the IWA Media Policy Group is to develop, influence and improve media policy for an engaged and connected Wales.

3. Response to the review's objectives

3.1 S4C's remit (1.a.i)

S4C's remit needs to be expanded to be suitable for a modern Public Service Media provider, and be flexible enough so as not to limit future growth. There should be a substantive change in S4C's remit to enable it to commission exclusively online content and provide services on all platforms where audiences are consuming content. However, we recognise that extending the remit to provide additional content without additional resources will put a strain on an increasingly stretched budget.

S4C should retain the editorial freedom to decide on the means of delivery to different audiences. The production of high quality content needs to be maintained in order to maintain existing audiences and reach new viewers. We recognize that traditional notions of quality vary across platforms and audiences and a balance needs to be struck between allowing flexibility in this provision and giving producers sufficient tools to produce appropriate content, together with the ability to evolve and respond to audience needs.

3.2 Current governance structures (1.a.ii)

Ofcom already regulates S4C to a very significant extent (see in particular, Schedule 12 of the 2003 Communications Act). Going forward, the key issue is that S4C continues to be independently regulated by Ofcom. In ‘Pushing The Boundaries’, S4C notes that following the transfer of many regulatory responsibilities to Ofcom in 2003/4, ‘the concept of a self-regulating Authority became less important’¹.

S4C is a single corporate body as was recognized in the Review of S4C’s Corporate Governance by Sir John Shortridge².” We therefore support the possibility of changing S4C’s current governance structure from the existing Authority and Executive to a Unitary Board model which would continue to include non-executive directors. Non-execs appointed to the Board should be experts in their field, specifically in digital, business and innovation, in order to best manage future strategy. They also provide an important safeguard in securing appropriate governance of the institution.

3.3 Partnership with the BBC and current funding methods (1.a.iii)

It is essential that S4C retains its independence from the BBC.

S4C needs to be granted greater commercial freedoms, under a general enabling order, rather than having to seek specific consent from the Secretary of State for any new projects that are not closely aligned to the core service, including when it is proposed they are funded by its own money.

The Secretary of State should continue to decide on sufficient funding for S4C under the 2011 Public Bodies Act. This should not be a matter for the BBC Unitary Board. The financial settlement should remain in place for at least a decade (similar to the settlement for the BBC), to provide stability and certainty.

In exercising this duty under the act, the Secretary of State should establish a transparent and accountable framework for determining how sufficient funding is to be assessed.

4. Response to specific key considerations

4.1 S4c’s role in promoting, and its impact on the Welsh language and its wider place in Welsh culture and society (2a)

¹ *Pushing The Boundaries*, S4C, p50.

² Review of the Corporate Governance of S4C, Sir John Shortridge, November 2010, p8.

For 35 years, S4C has performed a vital role as Public Service Broadcaster for Wales. It plays an important part in providing Welsh language media, reflecting Welsh life and culture, and providing plurality.

If S4C's remit is expanded to promote the Welsh language, it is essential it be given sufficient funding to support any expanded role. We also note that policy responsibility for the Welsh language is a matter for the Welsh Government, and so any expansion of the remit in this area would require new partnerships and new ways of working between the UK and Welsh Governments with relation to broadcasting.

4.2 S4C's contribution to the Welsh economy (2b)

We are mindful that whilst the economic impact of S4C is important, its role first and foremost is as a Public Service Broadcaster (Public Service Media provider) and so its primary purpose is to meet the needs of its audience, not to drive economic growth.

S4C are rightly mindful of the economic impact of their commissioning spend in Wales, which contributes to a dynamic independent sector.

4.3 S4C's relationship with the independent production sector and other broadcasters and cultural institutions, including whether its partnerships are working effectively and to maximum effect (2c)

In the past S4C has sought to find economies of scale by encouraging the merger of production companies into larger "super-indies". While this has allowed some individual companies to grow, it is not clear that it has produced a great benefit for the viewer. Ideally, we would prefer to see a mixed economy in the supply of programming with a healthy mix of small, medium and large independent companies.

The issue of plurality has long been recognised as the core problem of the Welsh media, and the debate has tended to focus on news, and the dominance of a small number of news providers. News and current affairs needs to be high quality and well funded. Journalism in Wales, particularly investigative journalism, has suffered greatly over the past ten years. Weakening S4C services further will have serious consequences. It is our position that the consolidation of independent production inside a small number of large companies also impacts plurality, and should therefore be a factor in considering S4C's relationships and partnerships.

The fact that S4C's online provision is largely being produced by traditional television production companies is problematic. Making short-form content, designed to be shared among users of non-traditional media is a different challenge to making television programmes. Moreover, television production companies tend to adapt traditional production techniques to online content, inflating costs without providing any improving value to audiences. The awarding of online contracts to legacy producers illustrates the influence that the production

sector has over S4C, as well as their ability to restrict new producers from establishing a relationship with S4C. The long term effect of this may be that industry consolidation artificially inflates production costs by locking out innovation in favour of established professional relationships.

4.4 Audience opinions, satisfaction and viewing figures of both Welsh speaking viewers, learners and the non-Welsh speaking population, both in Wales and across the UK (2d)

The way in which viewing is assessed and measured will eventually change in line with developments in technology, which will allow S4C to understand its audience's habits in greater detail, and commission multi-platform content accordingly.

The fact that S4C is now provided on a broader range of platforms helps it achieve greater reach. However, in making use of new platforms, S4C loses access to some important viewer data. The UK Government's ability to regulate how commercial platforms share data with S4C is limited. However, while the current relationship between S4C and the BBC exists, it may be possible for the Government to stipulate that the BBC allows S4C greater access to, and control over, viewer data collected by the BBC's iPlayer. We need to be aware of the value of collecting audience data, and mindful that the risk applies to other digital platforms, such as Facebook, who are under no obligation to share audience profiles.

4.5 The way in which S4C is governed and held accountable, including how the S4C Authority is operating and whether alternative models of governance should be considered (2f)

S4C's current governance arrangements, specifically its relationship with the BBC, are the result of a compromise designed to alleviate the BBC's concerns regarding the topslicing of the licence fee. However, this compromise includes a number of conflicts of interest, particularly now that the BBC is operating under a unitary board, rather than a separate Trust.

Of particular concern is the fact that the BBC Board Member for Wales is also a member of the S4C Authority. While S4C and the BBC collaborate, there are areas in which they naturally compete with each other - both for programming, and for viewers. It is possible to envisage a situation where both the BBC Board and the S4C Authority are called upon to make strategic decisions that could potentially impact the other. In such a situation, the BBC Board Member for Wales would be placed in a difficult position. We are of the view that the retention of a seat on the S4C Authority for the BBC Board Member for Wales is unsustainable because of this conflict of interest.

It should be noted that the current S4C Authority consists only of five members, plus chair. The relevant legislation allows for up to eight members of the Authority. Not appointing the maximum number of potential appointees to the S4C Authority creates an increased burden on the existing members. However, it also amplifies the BBC Board Members' influence over the strategic direction of S4C. The IWA Media Group is of the view that S4C's remit should be

changed to ensure the governing body always contains a defined number of non-executive members.

The IWA are broadly supportive of the suggestion that S4C should move to operating as a unitary board, mirroring the current BBC model. However, this exacerbates the conflict of interest that is caused by the presence of the BBC Member for Wales on both boards.

4.6 Value for money, efficiency and the role of the National Audit Office (2h)

When considering S4C's value for money, it is important to be clear exactly what remit they are being judged on. S4C is not directly comparable with other PSB broadcasters, as it provides for a distinct segment of the UK viewing public. Any evaluation of S4C's value for money should be built on the distinct role S4C plays in the broadcasting landscape and the value it offers its audience.

4.7 The way S4C is currently funded, including the licence fee, grant-in-aid and commercial sources, and its financial relationship with the BBC from 2022/23; and The way in which S4C is regulated and the role of Ofcom

S4C currently has a duty to report on its use of the funds granted from the licence fee to the BBC Board. It should be noted, however, that while the BBC collects and enforces the licence fee, it is paid into the UK Government's consolidated fund, from which the Government issues the BBC's budget. The rationale for making S4C report to the BBC for its use of the licence fee is, therefore, unsound. More importantly, in making S4C answerable to the BBC for its use of the licence fee, S4C's independence as a separate broadcasting corporation is undermined.

S4C's independence would be better guaranteed by making it accountable to the UK Government for its use of the licence fee. This should follow on from the Secretary of State's duty to secure sufficient funding.

The responsibility for setting targets, and for evaluating performance is a regulatory function carried out by Ofcom, as part of its responsibility for regulating S4C.

Thank you for your consideration of our response.

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