



The Convergence Think Tank
Seminar Two:
Competition and innovation: content and
services

A submission by S4C
March 2008

1. Introduction

S4C is a public service broadcaster that provides a range of high quality Welsh language programmes on many platforms, including broadband. We welcome the opportunity to make a submission to the Convergence Think Tank ahead of its second seminar.

We are a commissioner/broadcaster. Our relationship with the independent sector in Wales is the cornerstone of our Creative Excellence Strategy.¹ Unlike the BBC we do not produce our own programmes. Like Channel 4 our content is commissioned from the independent sector but unlike Channel 4, because of the need to broadcast in the Welsh language, it is more difficult for us to acquire programming.

We are committed to commissioning more than 80% of hours from the independent sector, equating to a spend of at least £70m. The majority of our content is commissioned in accordance with the Code of Practice and Terms of Trade (which are reviewed annually). Independent producers retain the copyright in content commissioned by S4C and provide a licence to S4C.

Since the introduction of the Code of Practice in 2003, and in response to a developing market and sector, S4C has reviewed a number of its systems and procedures. The changes reflect the transfer in responsibilities and rights from S4C to the independent sector, and S4C's continued support in empowering the production sector in the new environment.

2. Opportunities for providers and producers

We consider that the development of a strong creative industry is one of the functions of a public service broadcaster such as S4C. Within Wales we have an important role to play in supporting this key agenda.

S4C believes that a healthy production sector is one that supports and promotes creativity and innovation. Whilst acknowledging that there is no one model to ensure creative success, S4C continually reviews its systems and procedures to ensure it delivers its statutory remit, and implements its Excellence Strategy. We consistently monitor and respond to market changes. A number of policies have been adopted including:

- the removal of barriers to the exploitation of rights by independent producers over and above the requirements of the Communications Act 2003;
- increased contestability in the commissioning process;
- investment in development frameworks, and
- advance notice of longer term technical requirements.

We have a policy of tendering all contracts where the rights are held centrally or jointly by S4C, to ensure transparency and contestability within the industry. We acknowledge that there is no one model to ensure creative success but we believe that facilitating exploitation of rights by independent producers; increasing contestability; investing in development; providing advance notice of longer term technical requirements, and, investing in skills development will go some way to empowering and developing a stronger sector, both creatively and commercially.

Following a review of development funding, we fundamentally changed the way we support development. Rather than support piecemeal projects, a substantial tender was won by 5 companies enabling external producers to put in place sustainable frameworks over longer term contracts. Such a framework further allows for leveraging additional funding opportunities, talent development and a greater degree of long-term planning than may have been previously possible.

¹ <http://www.s4c.co.uk/production/downloads/guidelines/prog-strat.pdf>

A tender in 2006 for animation projects in Wales saw the establishment of a £500,000 development and production fund. The fund was awarded to 3 companies to develop a range of creative animation projects across different genres and for multiplatform use. The participants saw this as a “stepping stone to more ambitious and far reaching work”.

The most recent example of our use of open tender system is the extended provision for our new six and a half hour weekday morning nursery school service. The move follows the award last year of an £8 million tender for the packaging of the existing children's service. We are already one of the largest purchasers of original children's programming in the UK and the growth of our children's services will build further on original UK production.

3. Access to networks and content for consumers

Convergence means that the way we consume entertainment, information and other content are all changing profoundly. To meet the challenge S4C has a multi-platform strategy which aims to build our presence on every major digital platform across the UK.

Last year S4C started webcasting its digital service, S4C digidol, as well as extending the library of video on demand on broadband, (first introduced in 2006). This has extended the availability of Welsh produced content throughout the UK and beyond, rights permitting.

4. Access to networks and content for service providers

We are the only broadcaster to have embarked on a systematic reassignment of the rights to our back catalogue to the original producers, (subject to certain criteria being met), enabling the producers to benefit from exploiting the content that they have and will produce in future. S4C's progressive approach will ensure that the creative industries can maximise and build on the commercial benefits in content commissioned by us, in any language and on all platforms

S4C has actively encouraged the sector to adopt policies and structures to assist in identifying and enabling the exploitation of secondary rights. New distribution platforms offer a wider range of possibilities. New media offers producers the opportunity to exploit new rights and S4C is confident that the more commercial companies in the sector will flourish in this area of the market.

Establishing creative or business networks would be beneficial to the Welsh independent production sector in accessing and developing work from broadcasters based outside of Wales. Creating a framework and a connection for expanding the network at an UK level would greatly assist companies to expand into new areas and provide additional opportunities for new contacts and markets.

5. Barriers and Opportunities

There is inevitably a dichotomy between the delivery of a public service which is of a broad range, but must also be high quality within a finite budget. The key to S4C's success will always lie in getting the balance right.

We set out to address the challenge with the publication of our 2004 Creative Excellence Strategy, geared to positioning our services as leading providers of high quality content - including live events, children's, drama, culture, news, entertainment, rural and lifestyle programmes. This strategy has delivered peak hour audience increases in 2005 and 2006 ensured that audiences remained stable in 2007 and we are now seeing a further increase in peak hours audiences in the first two months of 2008.

In 2007 S4C conducted a review of the whole supply chain involved in our content production, revisiting the full scope of principles that forms the basis of S4C's commissioning and business relationship with the independent sector. We looked at the commissioning process, rights in content commissioned, talent and skills development, and communication. The review concluded that the principles and terms under which S4C operates, as outlined above, meet the needs of an evolving independent production sector.

We strive to ensure that any activity undertaken by us through our partners in new areas does not cut across the emergence of secondary markets or market based initiatives in the Welsh language. We have indicated above that it is our duty to provide our content across new media and to reach as wide an audience as possible.

However, we are also aware that we must be careful not to fund initiatives that could stifle potential commercial projects, hence S4C's decision to publish fair trading guidelines. Our role as a public service provider is to deliver content on a multiplatform basis that would not be provided by the market. Our approach to date has been to partner with companies in Wales but we do not have a strategy of commercially exploiting broadband content (other than through advertising and sponsorship).

Exploitation of content and IP rights has to be realised and taken advantage of. S4C is of the view that while technology has advanced, the way that rights are licensed has not kept pace. Territory-by-territory management of copyright clearance is too cumbersome and too costly. A clearer, standard and more transparent approach to rights clearance would better serve the interests of right-holders who want their content disseminated as widely as possible.

The BBC is required by statute to provide S4C with a minimum of 10 hours of programming per week. 2007 marked the start of our new strategic partnership with the BBC. The BBC contribution is vital to the sustainability of our services and the BBC is committed to spending £72m on our services over a 3 year term.² For the first time we will have control over the commissioning of content from the BBC and control over how the proportion of the licence fee set aside for S4C will be spent in accordance with the White Paper on the future of the BBC. We obtain similar rights in BBC produced content as those obtained from the independent sector.

It appears to us that the strategic partnership is an example of how public service broadcasters other than the BBC can utilise the licence fee for the benefit of their viewers. It sustains public service broadcasting outside of the BBC without compromising the BBC's independence or its duty towards licence fee payers.

² The agreement covers the BBC contribution to S4C between January 2007 and December 2009