



**S4C's response to Ofcom's Second Public Service Broadcasting Review
- Phase One: The Digital Opportunity**

June 2008

CONSULTATION QUESTIONS

Section 3

How well are the public service broadcasters delivering public purposes?

- 3i) Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of public service broadcasting?

Like all broadcasters, S4C has experienced the convergence of technologies and its impact on the way that media is consumed. However, S4C maintains that television continues to have an essential role in delivering the purposes of public service broadcasting. S4C has and is meeting the challenges and opportunities of the digital revolution.

The S4C 2004 Creative Excellence Strategy sought to pre-empt the changes and prepare the Channel for digital switchover, placing greater emphasis on original, innovative and engaging programming.

We have invested more funds and placed a greater emphasis on raising standards but this has not affected the range and diversity of programming.

S4C's regular image tracking service shows a high appreciation of the Channel among both Welsh speakers and non-Welsh speakers. The channel is seen very clearly among all Welsh speaking viewers as the best channel for events in Wales, and for reflecting rural and modern Welsh life far ahead of other channels.

Ofcom's report states there is "strong support among viewers for the plural supply of nations and regions output." S4C brings plurality through its provision of Welsh language content, offering cultural diversity and representing the society in which we live.

Plurality in news will always be difficult if not impossible when there is only one Welsh language broadcaster and a single news supplier. Independent research commissioned by S4C (Ipsos Mori Reaction Panel) shows that S4C is believed by Welsh speakers to provide the best news about Wales and to be the best TV news service representing the whole of Wales, compared to other major terrestrial broadcasters. Ofcom's research acknowledges that viewers strongly associate our channel with trustworthy news provision (PSB2 3.33 and 9.47). This can be attributed to the relevance of the editorial content to the audience.

Research conducted for S4C has indicated that children have dramatically changed the way in which they consume audio visual media and that the provision of public service television in the Welsh language may not have kept pace with those changes. We are confident that our new services (as detailed in section 10), will address this.

It is interesting to note that it is the younger Welsh speaking viewers (aged 18-34) who are the most likely of any age group to feel that the quality of Welsh language programming is improving on S4C.

We have seen a significant increase in viewing figures in the all-important peak hours, and during the first quarter of 2008 we saw an increase of 20% year on year - the highest performing quarter in 5 years.

Ofcom states that "the share of the main five channels has fallen by 17% between 2003 and 2007" (PSB2 1.11). Our research shows a similar trend in Wales though that decline is less among Welsh speakers, at 13% (BARB).

S4C is evolving to meet the demands of a converging and multi-platform world. The challenge is to combine high quality content for television, with existing and new distribution methods to sustain and build on the impact and reach of our public services.

3ii) Do you agree that UK-originated output is fundamental to the delivery of public service broadcasting purposes?

S4C's relationship with the independent production sector is defined in the context of our Corporate Plan, the Creative Excellence Strategy and the Codes of Practice and Terms of Trade. A strong creative industry is crucial in meeting our Strategy.

S4C makes a significant investment in originated content, spending 98% of the content budget on first run programming. This high level of origination ensures the quality, range and diversity of programming most relevant to S4C audiences. Appreciation indices show S4C programmes to be higher than or equal to the average of all channels in all but three genres.

This is consistent with Ofcom's statement (PSB2 1.5) that audiences attach high value to content that reflects the UK in all its facets.

Acquired programming has less relevance to the S4C viewer and as a result the level of material S4C acquires is very low in comparison to other broadcasters. There are also few opportunities for S4C to acquire Welsh language programming as S4C is the only broadcaster and commissioner of such programmes.

S4C has a long tradition of co-producing high quality programmes with international partners. The 2004 Creative Excellence Strategy challenged producers to look at new and innovative ways of creating a Welsh language version for us. This has resulted in a range of tailored solutions, and programmes produced to meet the needs of the Welsh language audience, while the international sales copy of the programme is usually a separate and different version. S4C takes a more positive view than Ofcom (PSB2 1.5) of international content and believes it is possible to co-produce content which is relevant to a Welsh and UK audience whilst at the same time contributing to public service broadcasting purposes.

Our deliberate policy of maximising the level of originated content, and the assignment of rights to the producers, offers the independent sector possibilities to exploit the content. It also improves the prospect of increasing production from the nations on UK network and/or international services.

This approach ensures that the public investment delivers commercial benefits for the creative industries as well as building a strong and sustainable foundation for the future.

Section 4

The changing market environment

4i) Do you agree with Ofcom's conclusions about the way that other digital channels and interactive media contribute towards the public purposes?

S4C agrees with the statement (PSB2 4.2) that audiences are changing in the way they consume media and S4C has embraced this challenge by reviewing the way services are planned and commissioned.

A number of services have been introduced by S4C in response to changing audience needs and are part of our multi platform strategy. S4C offers viewers and users the following range of services:

S4C

The analogue terrestrial service (channel number 4 in Wales) consists of around 37 hours of Welsh language programming per week (mostly during peak hours) with re scheduled C4 English language programming making up the remainder of the service.

S4C Digidol

Currently around 80 hours per week of Welsh language programming is broadcast, incorporating the simulcast transmission of the analogue service. The service offers interactive red button functionality. This service will be extended from the 23rd June when a pre school service is introduced from 0700.

Digital Platforms

The service is available on the Freeview DTT (channel number 4 in Wales), Freesat (104 in Wales and 120 outside), Sky satellite (104 in Wales and 134 outside) and digital cable (194 in Wales only). The service is also streamed on the Freewire service in university campuses throughout the UK.

Streaming and videos on demand

S4C Digidol is available simultaneously online via www.s4c.co.uk/watch (worldwide but usually in the UK, and subject to rights). It is also possible to access an archive of programmes and content to watch again on demand within a 35 day window.

Other digital media

S4C offers a comprehensive website offering extended information on programming and content, access to archive, details on TV scheduling and corporate information (including a production website with open access to the sector). It is available worldwide at www.s4c.co.uk.

A dedicated Welsh language learners facility has also been developed on www.learnons4c.co.uk again offered worldwide.

In line with S4C's Creative Excellence Strategy which identified the need to "be flexible enough to react to changing trends in ... learning Welsh" we have introduced online services to provide a valuable Welsh learning resource - www.learnons4c.co.uk. It takes advantage of digital technology to facilitate and encourage the development of skills and knowledge by providing context and extended information about the programming that S4C broadcasts. It has enticed new viewers and extended our commitment to our public purposes. It is an illustration of the growing recognition that the internet does provide good opportunity to delivering and servicing a particular audience.

Additional websites operated independently of S4C but linked to our output are also available e.g. bandit247.com, ffermio.tv, uned5.co.uk.

S4C2

S4C2 (on Freeview DTT 86 in Wales, Sky satellite 507, digital cable in Wales 195 and Freesat 202) provides coverage of the National Assembly and extended coverage of programming from national events. e.g. the National Eisteddfod of Wales, Llangollen International Eisteddfod, Royal Welsh Show.

The DTT capacity gifted to S4C is used to offer coverage of proceedings from the National Assembly for Wales and extended coverage of national events that feature prominently in S4C's Creative Excellence Strategy. These enhanced services offer content that further contributes towards the purposes and characteristics of a public service broadcaster. These have also contributed towards raising cultural awareness and have incentivised audiences to adopt digital technology. Going forward, the S4C Authority's consultation, "Serving Children in the Digital Future" (see Section 10) proposes to use this digital capacity for new services for children and young people. Options for the continuation of the editorial provision from the Assembly on S4C services are under consideration.

S4C is also aware that the use of and demand for innovative material and user generated content is increasing and that the popularity of such sites has the potential to bring in new audiences (PSB2 4.33 and 4.34). This is particularly true for the younger audience. Digital services targeted at teenagers and young people (e.g. uned5.co.uk or bandit247.com) also contribute towards sustaining, developing and encouraging respect for linguistic diversity.

IPTV

In 2007 S4C also identified the potential of new internet technologies to deliver public service content to a new and wider audience (4.7 and 4.11). For example S4C's agreement with INUK to carry the S4C Digidol output on the IPTV Freewire service, offers students in campus accommodation across the UK a chance to view Welsh language programming for the first time.

Access Services

Digital technology has facilitated the introduction of a range of access services which allow non Welsh speaking or Welsh learner viewers to enjoy our content. This includes subtitling (in both English and Welsh), signing and audio description.

Rights

S4C believes in maximising digital technology opportunities to offer public service content as a resource to develop and encourage a respect for diversity, better understanding and knowledge. We have been proactive in trying to extend access to, and the exploitation of, S4C commissioned content. This has involved implementing a progressive rights policy allowing producers to exploit their content on new and emerging platforms, and facilitating the archiving of content (historical and going forward), that will ensure the logging of data and footage, thus increasing the potential of the assets available and offering greater value.

Section 5

Prospects for the future delivery of public service content

5i) Do you agree with Ofcom's assessment of the implications of different economic scenarios for the UK TV market for the future prospects for delivery of the public purposes?

5ii) Do you agree with Ofcom's analysis of the costs and benefits of PSB status?

S4C is not providing a response to this section.

Section 6

Meeting audience needs in a digital age

6i) Do you agree with Ofcom's vision for public service content?

S4C identifies with the vision outlined by Ofcom for public content in a digital age.

The Creative Excellence Strategy, introduced in 2004, was designed to ensure the delivery of high levels of original content which is innovative, challenging and engaging for our current and future audience, whilst making it available across a range of platforms.

The Strategy was to be implemented for the period to digital switchover. The post-switchover strategy will be published in the autumn of 2008.

S4C's new children's services (outlined in Section 10) are aligned with Ofcom's vision for public service content in the future.

S4C recognises the changing and developing needs of audiences. Qualitative and quantitative research provides data to enable us to best respond to audience requirements.

S4C believes that it is important to ensure that content is discoverable and accessible across a range of platforms and made available to the greatest number of users. This is central to S4C's public service remit going forward.

S4C sources its content from the independent production sector, most of which is based in Wales. S4C recognises the challenges that exploiting digital technology places on the sector, and the changes required to meet a higher level of innovation and upskilling for interactivity in both editorial and production activities.

The existence of a strong and highly skilled production sector is crucial to enable S4C to continue to deliver its Creative Excellence Strategy. S4C has been instrumental in establishing skills development frameworks for the creative media sector in Wales.

6ii) How important are plurality and competition for quality in delivering the purposes of public service broadcasting, and in what areas?

Plurality and competition for quality is an important feature of public service broadcasting and is valued by audiences across a range of programme genres.

Given that S4C is the only Welsh language broadcaster there is no plurality of provision in Welsh across different television services. However, S4C believes that it is important to ensure that plurality exists within one service.

Through our Creative Excellence Strategy and our rolling commissioning process original content is commissioned from a significant number of sources thus ensuring a range of voices and perspectives.

News provision is of particular importance to us. We are the only outlet for Welsh language television news. Our news services are provided by the BBC. Plurality in news provision will always be difficult if not impossible when there is only one Welsh language broadcaster.

Our current affairs programmes deliver over and above the Ofcom quotas and are commissioned from several different sources. This enables us to provide a degree of plurality for the viewer. We are committed to continuing to commission our current affairs programmes from more than one source and to schedule a significant proportion of these in peak hours.

The existence of S4C itself offers plurality, where language provides a means of affirming the importance of representing the society in which we live. It provides linguistic plurality across all programme genres and those programmes are made available to Welsh and English speakers alike through our subtitling and access services.

Stability and contestability are key factors in our supply chain. Stability ensures that the sector is better positioned to deliver high quality content and contestability ensures that access to S4C commissions is available on merit to all producers.

As a commissioner broadcaster, S4C operates an open and competitive commissioning process. In 2007, 33 independent production companies (including ITV) were commissioned by S4C. More than ten hours per week were also supplied under the BBC/S4C Strategic Partnership agreement.

Although the number of suppliers fell sharply between 1997 and 2001 the number has now stabilised and has been consistent at around 34 since 2002. We believe that plurality exists in the production sector and that a range of voices and styles are available within S4C's services.

We believe that S4C can deliver competition to the BBC in relation to plurality.

The policies and initiatives adopted by S4C have modified the way in which we work. These changes have contributed towards developing a more stable production environment with a greater focus on developing talent and skills, creativity and ideas. It has also contributed to a more competitive sector, better positioned to supply S4C, as well as other broadcasters with high quality and innovative content and services.

6iii) In maximising reach and impact of public service content in the future, what roles can different platforms and services play?

As discussed above in PSB2 3.1, we believe that television will be the mainstay of our proposition for some time. However new platforms and services will play an increasing role in maximising the reach and impact of content in future.

In particular the development of such services is tempered by the lack of universal access to broadband in Wales. Rights issues can also restrict and affect the development of some services.

We have recognised the changes in consumption patterns and our multi-platform strategy is designed to ensure that our content is discoverable and accessible to the widest possible audience. Our services (outlined at Section 4 above) and the marketing of them means that S4C plays an important role in promoting media literacy. S4C is a signatory of the Media Literacy Charter.

Access services are important to S4C. We provide subtitling and audio description on our services and also other resources for those who don't speak Welsh. Where rights permit it will also be possible to provide an additional English language soundtrack for certain sporting events. On our website viewers can watch our catch-up service and learners have the option to alternate between Welsh and English subtitles.

We are working with ITV Local to extend the use of programmes commissioned by S4C and to provide a means of accessing ITV Wales' archive containing fifty years of Welsh language content via the internet.

S4C is investigating cross-platform measurement currencies in order to assess the total impact of S4C across viewing on TV and other platforms. It is important that we have a complete picture of engagement with the Channel.

S4C is continually reviewing the services offered, taking advantage of the potential technological developments to maximise reach and impact, and to ensure that we continue to deliver on our public purposes.

There is inevitably a dichotomy between the delivery of new services promoting public purposes and having to work within a finite budget. The key to S4C's success will always lie in getting the balance right. As a publicly funded PSB we acknowledge that providing our services on any new platform must deliver value for money. To this end we note that in future S4C may not be available on all emerging platforms.

6iv) Do you agree that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future?

S4C acknowledges that there are challenges and limitations associated with the current model for delivering public service broadcasting and this will affect the ability of some broadcasters to deliver their public purposes in future.

However, we believe that the current S4C model is sufficiently robust to withstand pressures in the short, medium and long term.

Section 7

Future models for funding and providing public service content

7i) What are your views of the high-level options for funding public service broadcasting in future?

S4C believes that Ofcom has identified pertinent issues relating to the funding of public service broadcasting in future.

S4C's funding is derived from three main sources:

1. Source 1

S4C receives a grant in aid from the DCMS which is based on a statutory formula allowing S4C to plan for the future and award longer term contracts to producers enabling creativity and innovation to thrive. This in turn supports a sustainable production sector. The use of open and competitive tender processes is a growing feature of S4C procurement for content and other services. Such tenders currently account for over a third of the available budget.

2. Source 2

The BBC has a statutory obligation to deliver at least ten hours per week of programming to S4C. This programming is funded from the licence fee. The 2006 Strategic Partnership, which stems from a recommendation made as part of the BBC's Charter Renewal process, provides a framework by which content is commissioned and evaluated against agreed targets.

3. Source 3

S4C can also generate income from commercial activities. S4C's commercial revenues are currently derived from advertising sales, programmes sales and other commercial activities. The most recent investment has been by S4C Digital Media Ltd in INUK Networks.

We believe it is important to understand how public service providers can work together in delivering public service content. The Strategic Partnership demonstrates how two public service broadcasters can work together to provide high quality content for a specific audience.

This mixed funding model provides an efficient and effective means by which to ensure that high quality Welsh language public service content is made available in Wales and throughout the UK and the accountability necessary in respect of public expenditure. The current combination of funding sources will continue to be appropriate for indigenous language broadcasting in future.

7ii) Are the proposed tests of effectiveness for future models for public service broadcasting the right ones?

S4C believes that the tests of effectiveness identified by Ofcom have the potential to appraise a new model for the delivery of public service content.

The means by which S4C is currently appraised and regulated incorporates the principles outlined in Ofcom's test criteria.

The S4C Authority is an independent body which is responsible for the provision of Welsh language television programme services, and accountable to Parliament and to the DCMS. The responsibilities of the S4C Authority and the S4C executive are detailed in 'Key Roles of S4C Authority and the S4C Board.' S4C is required to present its annual report to the Secretary of State to be laid before Parliament each year and a Memorandum of Understanding exists between S4C and the DCMS which details S4C's accountability.

The Communications Act 2003 sets out a procedure whereby the Authority is required to seek the permission of the Secretary of State to launch new services or participate in new commercial activities. This process provides an additional level of accountability and parliamentary and public scrutiny of the S4C Authority's development plans.

S4C is unique amongst public service broadcasters in that it has a statutory duty to consult its viewers. The S4C Authority has a duty to ascertain the state of public opinion concerning programmes broadcast on S4C and also the types of programmes that members of the public would like to be broadcast on S4C. We believe that this duty is a very important mechanism and ensures that at all times S4C is accountable to and has a direct relationship with its viewers.

The Communications Act 2003 also places an obligation on the Authority to:

- Publish an annual Statement of Programme Policy and a Review of Programme Policy.
- Ensure that its public services comply with the Ofcom Broadcasting Code.
- Prepare Terms of Trade and a Code of Practice in relation to the commissioning of independent productions.
- Meet targets approved by Ofcom with regard to production and broadcast quotas and access services, for example, subtitling and audio description.

S4C looks forward to contributing towards the discussion on funding models in more detail in Phase 2.

7iii) Of the four possible models for long term delivery of public service content, which, if any, do you consider the most appropriate and why? Are there any alternative models, or combination of models that could be more appropriate, and why?

The significant changes at S4C since Ofcom's first Review of Public Service Broadcasting in 2005 and the Laughton Review in 2004 demonstrate S4C's ability to adapt to changing circumstances and to remain relevant.

We are concerned that certain parties may undervalue the role that broadcasters play in delivering public service content and ensuring it is discoverable and universally available. Commissioning broadcasters such as S4C play an important role in the whole content delivery chain – from supporting an independent production sector and also BBC and ITV production, to allocating a contestable commissioning budget, to delivering content universally and on new platforms and engaging with audiences. This is a content delivery method that has changed to meet the needs of the Welsh audience and we are pleased that Ofcom has acknowledged this by ensuring that S4C is central to each model in Wales.

S4C believes that Model 3 is the model that is most appropriate for the near future and offers an effective method of delivering public service content. However, the model as outlined may not be a solution for the longer term. A more innovative solution may be required that addresses audience interests and the delivery of public service broadcasting.

In line with paragraph 1.43 of PSB2, S4C believes that the solution for Wales, and other nations and regions, needs to be tailored to meet their specific needs. A solution cannot be found by looking at the

interests and current functions of the existing institutions. We believe that the final model for delivering public service content must reflect the public service functions that need to be delivered in each nation and region. This is considered further in our response to 9(ii) below.

S4C is core to all four models proposed by Ofcom and it is encouraging to see the need to identify tailor-made solutions for Wales and the other nations and regions highlighted.

Section 8

Options for the commercial PSBs

- 8i)** What do you think is the appropriate public service role for Channel 4 in the short, medium and long term? What do you think of Channel 4's proposed vision?
- 8ii)** Which of the options set out for the commercial PSBs do you favour?

S4C is not providing a response to this section.

Section 9

Scenarios for the UK's nations, regions and localities

- 9i)** To what extent do you agree with Ofcom's assessment of the likely future long term issues as they apply to the nations, regions and localities of the UK?

Given the programme of reform undertaken by S4C since the publication of Ofcom's first Review of Public Service Television Broadcasting in 2005, we are pleased Ofcom is now of the view that there is "strong and secure provision in the Welsh language via S4C" (PSB2 9.47) and that there is "security in terms of indigenous language provision for Wales" (PSB2 9.13). In addition the strength of the position is reflected in the finding that "programming in indigenous languages is valued in the nations" (PSB2 9.10).

Ofcom has identified that "in the long run delivering the satisfactorily broad portrayal of national and regional features throughout the schedule is likely to be dependant on the existence of sustainable production businesses in the nations" (1.53). To date S4C has played an important role in enabling the development of the independent production sector and continually reviews commissioning and business relationships in order to ensure that any barriers to further progress are removed. S4C's strategic work in connection with training and skills development, the contestability of our content budget and also our progressive rights policy have been designed to ensure that we support the creativity, innovation and business sustainability of the production sector in Wales. We look forward to contributing to the debate on this issue as part of Phase 2 of the Ofcom Review.

- 9ii)** Which model(s) do you think will be most appropriate in each of the nations and in the English regions in the long term, and why?

We are concerned that with the exception of model 1, there is no means of sustaining the public service content currently provided by ITV Wales. In addition to providing plurality in the English language, ITV Wales has made an important contribution to training and skills development and as a producer of Welsh language content.

S4C's full response to Ofcom's four possible models for the delivery of public service content can be found at 7(iii) above.

- 9iii)** What are your views on short/medium-term issues referred to, including the out-of-London network production quotas?

S4C is of the view that market forces alone will not deliver out of London production activity to the nations and regions and that regulatory targets are necessary in the short to medium term.

However, S4C would contend that quotas cannot guarantee quality and innovation and may lead to tokenism manifesting itself through low budget, off peak commissions. S4C believes that investment in sustainable development frameworks is essential for longer term growth for the out of London production sector. The success of these frameworks could ultimately make production quotas unnecessary.

- 9iv)** What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal? (Please note that Ofcom will put forward firm options on these issues, and consult also on ITV plc's regional news proposal, in phase 2 of this Review.)

S4C is not providing a response to this section.

Section 10

Prospects for children's programming

- 10i)** Do you agree with our assessment of the possible short term options available relating to children's programming?

The provision of new and innovative services for children and young people will be a defining feature of S4C's public service contribution in the digital age.

Responses to a public consultation conducted by the S4C Authority, "Serving Children in the Digital Future" in 2007 were overwhelmingly supportive.

Three new services are planned, the first of which begins on 23 June and is aimed at pre-school children. The service will be available on weekdays between 0700 and 1330 on S4C Digidol and will be supported by a bilingual website offering additional content, games and activities. In addition, support material will be provided for adults in Welsh and English. Many programmes will be available to watch on-line and English subtitles will also be available on most programmes and presentation links to ensure accessibility.

The second service will be designed for primary school children aged between 7 and 11 and is planned for launch at the beginning of 2009. The third service will be for older children and teenagers and is planned for launch in 2010. Both services will have a significant on-line dimension. S4C will require an order by the Secretary of State to introduce these services in accordance with section 205 of the Communications Act 2003.

Ofcom's comments (PSB2 10.38 and 10.46) as to the possible broader role that S4C could play in delivering and exploiting children's content to UK audiences are welcomed. Initial work suggests this is a viable prospect and consideration is being given to possible methods of implementation including distribution.

S4C notes with interest the reference at PSB2 10.47 to the possibility for creating stronger incentives for independent producers to reversion content for a wider audience, and looks forward to discussing

further with Ofcom. We believe that S4C's rights regime already provides producers with opportunities to exploit content in UK and global markets.

Tax incentives

The option of introducing a tax credit offers both investors and the production sector a speedy short term answer to children's programming, but this should be used in conjunction with other measures to ensure a long term remedy. It is critically important that the administrative process of any tax credit be kept as simple as possible.

Section 11

Timetable for implementing a new model

- 11i)** Do you agree that new legislation will need to be in place by 2011 in order to ensure continued delivery of the public purposes in the medium and long term?

The current legislative framework has enabled S4C to deliver a broad range of high quality and diverse programming in the Welsh language. The statutory structure, remit and funding arrangements have already proved to be sufficiently flexible to enable changes to be made in advance of digital switchover and have delivered tangible benefits for audiences in the form of new and improved services. We believe this will continue to be the case for S4C for the foreseeable future.

However, we recognise that the arrangements for delivering other elements of public service content (most notably English language content in the nations and regions and children's programming) are unlikely to be appropriate and that legislative changes may be necessary. These may have a consequential impact on S4C. In considering any legislative changes we believe it is important to ensure that S4C's ability to deliver services in the Welsh language is not diminished.