



House of Commons
Welsh Affairs Committee

Broadcasting in Wales

First Report of Session 2016–17



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Welsh Affairs Committee

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The current staff of the Committee are John-Paul Flaherty (Clerk), Elin James Jones (Committee Specialist), Shane Murray (Senior Committee Assistant), Dominic Stockbridge (Committee Assistant), and George Perry (Media Officer).

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Contents

Summary	3
1 Introduction	5
Our inquiry	6
2 Funding	8
S4C	8
S4C's grant funding from the Department for Culture, Media and Sport	8
Independent review	12
BBC	13
3 Governance and Regulation	16
BBC	16
Current governance arrangements	16
Reform proposals in the Charter Review	17
Governance in relation to Wales	17
Service licences	19
S4C	20
Operating agreement between the BBC and S4C	21
Ofcom	21
4 Portrayal of Wales on screen	23
Portrayal of Wales to Wales	23
Portrayal of Wales to the rest of the UK	24
Commissioning and production quotas	24
Production of programmes	26
5 Broadcasting in the digital age	29
Commercial Radio	29
S4C and digital access	30
Conclusions and recommendations	33
Formal Minutes	38
Witnesses	39
Published written evidence	41
List of Reports from the Committee during the current Parliament	42

Summary

Television audiences in Wales rely heavily on their public service broadcasters (PSBs), and to a greater extent than their counterparts in England, Scotland and Northern Ireland. Yet in recent years there has been a continuing reduction in spend and output of programmes made for Wales in both Welsh and English. When combined with a consolidation of commercial radio ownership in recent years, this has seen media plurality in Wales weaken significantly. Furthermore, the way we consume media is also changing, and the proliferation in media platforms poses yet another challenge for PSBs in Wales.

Within the BBC it is acknowledged that BBC Cymru Wales' non-news output has eroded. As a result, the level of specific media provision for Welsh audiences has declined, as has the level of portrayal of Wales to the rest of the UK. During this inquiry, we were told that, rather than redress this degradation, the BBC would only reduce funding to the UK nations by less than elsewhere. However, in response to the announcement of the proposals for the next BBC Charter, the BBC has now said it will spend proportionately more on dedicated services in each of the nations, and specifically spend more on English-language programming in Wales. We welcome this announcement, although the detail we have is scant. We request further information from the BBC on this matter in response to our report.

Decisions affecting broadcasters in Wales should be transparent. They should be taken on the basis of comprehensive consultation with those who understand the industry in Wales, its audiences and its unique requirements. Wales needs to have a voice at the table when decisions are made. As such, there should be a Board member for Wales on the BBC Governance Board who will be assisted by a Welsh national sub-committee. To provide a service that caters for Wales, we recommend that a National Service Licence be introduced for Wales to replace the current service licence structure. In addition, the BBC's commissioning process needs serious reform as production quotas have not worked. We welcome the proposal that each nation have a drama commissioning editor, but this should extend to other non-news genres, and these roles must be based in Wales.

As the only Welsh language television channel in the world, S4C is a bastion of Welsh language life and culture. We are concerned, however, that cuts to its funding have already impacted the channel's output, and that additional cuts will have a serious effect on quality. As the Welsh independent production companies rely on commissions from S4C, there are implications for that sector's contribution to the economy, as well as the opportunity to hear the Welsh language on TV. We therefore welcome the Government's decision to cancel this year's grant cut, and undertake a review of the channel, to assess its remit and scope, and the level of funding required. However, a prolonged period of financial uncertainty is neither a healthy nor a suitable way for any broadcaster to conduct long-term editorial planning decisions and fulfil their public service remits. It is regrettable that this has been the case with regards to S4C, and we recommend that the channel be the subject of an independent review as a matter of urgency, and that it is reviewed in future on a regular basis to counter the risk of further financial uncertainty and ensure it is fulfilling its public service remit.

As the Government finalises its plans for the BBC's new Charter, and commits to reviewing S4C we believe this is a perfect opportunity for the unique requirements for Welsh broadcasters to be given the consideration they deserve. This is integral in the face of such weak media plurality and a vastly changing landscape of broadcasting in the twenty-first century.

1 Introduction

1. The first public broadcast in Wales was heard on the evening of Tuesday 13 February 1923, with an hour of children's stories on British Broadcasting Company's Cardiff radio station.¹ In 2016, media provision in Wales relies heavily on its public service broadcasters (PSBs), and to a greater extent than in the other UK nations.² People in Wales are also avid television viewers. According to Ofcom's report, *The Communications Market 2015*, Welsh audiences spent an average of 251 minutes per day watching television, higher than the UK average of 220 minutes. Of those, 131 minutes were spent watching the main PSB channels.³

2. Wales' three PSB television channels are BBC Cymru Wales, ITV Wales and S4C. The BBC reaches 98% of the Welsh public every week.⁴ BBC Cymru Wales is required to produce at least 470 hours per year of programming specifically for Wales across BBC One and BBC Two, of which 250 hours is news and current affairs on BBC One. ITV Wales operates under a single licence for Wales and, in accordance with that licence, produces at least five and a half hours per week of programming for the whole of Wales, four hours of which are news, and 47 minutes of current affairs. According to Ofcom's latest review of Public Service Broadcasting, S4C produces around 2,000 hours of original programming in Welsh per year.⁵ There is also a strategic partnership agreement in place requiring BBC Cymru Wales to provide a statutory minimum of 520 hours of Welsh language programming for S4C per year.⁶ In 2014/15, this was valued at £19.7m.⁷

3. In terms of radio provision, BBC Cymru Wales operates two national radio networks: BBC Radio Wales in English and BBC Radio Cymru in Welsh. BBC Radio Wales broadcasts for approximately 20 hours per day, reaching 400,000 listeners per week, whilst BBC Radio Cymru is on air for up to 19 hours each day, reaching over 100,000 listeners each week.⁸ In terms of commercial radio, the total share of the listenership in Wales is 39%, compared with the UK average of 43%. There are also fewer commercial radio stations per capita in Wales compared to the UK⁹ and the commercial radio revenue levels are lower.¹⁰

4. It has been noted that media consumption in Wales is changing. Ofcom's figures suggest that television viewing for those under 35, and children in particular is falling. They report that the trend towards online viewing could "set new challenges for PSBs" while also "opening up a range of exciting opportunities for PSB to be delivered in new ways".¹¹ This includes a move to on-demand viewing, and there has been a 9% increase in the take up of Smart TVs.¹² The provision of content by the PSBs to the people of Wales, and how it is consumed has been a major theme throughout our inquiry.

1 John Davies, *Broadcasting and the BBC in Wales* (Cardiff: University of Wales Press, 1994), p. 1. The British Broadcasting Company became the British Broadcasting Corporation on 1 January 1927, when it was granted a Royal Charter.

2 Ofcom Cymru ([BIW18](#)) p. 2.

3 Ofcom, *The Communications Market 2015*, August 2015

4 BBC Cymru Wales ([BIW09](#)), p. 2

5 BBC Cymru Wales ([BIW09](#)), p. 2

6 BBC Cymru Wales, *Strategic Partnership Deed of Agreement between the BBC and S4C*, (November 2012)

7 BBC Cymru Wales ([BIW09](#)) para 3.1.4

8 BBC Cymru Wales ([BIW09](#)), para 3.1.2-3

9 Institute of Welsh Affairs, *IWA Media Audit*, (November 2015), p. 51

10 Ofcom Advisory Committee for Wales ([BIW08](#)) p. 4

11 Ofcom Cymru ([BIW18](#)) p. 2

12 Ofcom Advisory Committee for Wales ([BIW08](#)) p. 5. Smart TVs are television sets which allow the viewer to access services and media platforms via broadband.

5. According to Ofcom, media plurality in Wales is a “continuing challenge”.¹³ This is another key theme that has been prevalent throughout our inquiry. Media plurality has been described to us as “weak”,¹⁴ “market failure writ large”,¹⁵ and the cause of a “democratic deficit”.¹⁶ Wales’ dependence on a relatively small number of media providers, and the overall decline of the press industry in Wales have been highlighted as contributing factors.¹⁷

6. A further key consideration within our inquiry has been the current BBC Charter Review. The BBC’s constitution is set out in a Royal Charter,¹⁸ while the rules under which it operates are set out in an agreement between the BBC and the Secretary of State for Culture, Media and Sport.¹⁹ The current Royal Charter was agreed on 19 September 2006, came into full effect on 1 January 2007, and runs until 31 December 2016. The Government published its White Paper on 12 May 2016, detailing proposals for the next Charter.²⁰ It will be published in draft form in July 2016.²¹

7. Prior to this publication, Lord Hall, Director General, BBC, also wrote to the devolved administrations detailing some further proposals in response to the concerns of audiences in Scotland, Wales and Northern Ireland.²² The ongoing review and renewal process has allowed for parliamentary scrutiny and public consultation on the future of the BBC. It is our intention that this inquiry, the evidence we have received, and our conclusions and recommendations, will inform that review.

Our inquiry

8. Against this background we launched an inquiry into the future of broadcasting in Wales on 17 September 2015²³ and invited written evidence on the following issues:

- The implications of further efficiency savings on broadcasting in Wales;
- The suitability of current broadcasting governance and accountability arrangements in Wales;
- The cultural importance of English and Welsh language broadcasting;
- The economic impact of broadcasting in Wales;
- The implications of a reduction of English language programming output; and
- Whether funding for Welsh language broadcasting should be ring-fenced.

¹³ Ofcom Cymru ([BIW18](#)) p. 3

¹⁴ Q164 Mr G Mathias

¹⁵ Institute of Welsh Affairs ([BIW17](#)) para 1.5

¹⁶ Dame Rosemary Butler AM, Presiding Officer of the National Assembly for Wales ([BIW10](#)) p. 3

¹⁷ Q101 Sian Powell; Q264 Dr Ruth McElroy

¹⁸ BBC Trust, [Charter and Agreement](#)

¹⁹ BBC Trust, [Charter and Agreement](#)

²⁰ Department for Culture, Media and Sport, [A BBC for the future: a broadcaster of distinction](#), May 2016

²¹ Department for Culture, Media and Sport, [A BBC for the future: a broadcaster of distinction](#), May 2016 p.105

²² [Letter dated 12 May 2016](#). from Lord Hall, BBC, to the Secretary of State for Culture, Media and Sport, the First Minister of Wales, the First Minister and the deputy First Minister of Northern Ireland and the Cabinet Secretary for Culture, Europe and External Affairs, Scottish Government.

²³ Welsh Affairs Committee, [Broadcasting in Wales inquiry](#)

9. We conducted nine oral evidence sessions and heard from 33 witnesses. Seven of these sessions were held at Westminster, one at the National Assembly for Wales, Cardiff, and one at the Galeri Arts Centre, Caernarfon. The first session of the inquiry was conducted bilingually in Westminster. This was the first Welsh language evidence session this Parliament and we have since taken evidence bilingually, both in Westminster and in Wales. We welcome this practice, and recognise the importance of being able to receive evidence in either Welsh or English.

10. We also visited the main broadcasters, which improved our understanding and knowledge of the industry as a whole, and the individual broadcasters' ways of working, needs and requirements. We visited BBC Cymru Wales headquarters at Broadcasting House in Llandaff and its Roath Lock studios in Cardiff Bay. We also spent time at both the S4C and ITV Wales offices in Cardiff. We are very grateful to the companies for their hospitality and guidance.

11. Following our evidence gathering process, we have decided to focus our findings on the following issues, as set out in each chapter:

- Funding for public sector broadcasters;
- The governance and regulation of broadcasters in Wales;
- Programme content and production, with particular focus on the portrayal of Wales on screen and the programme commissioning process;
- The nature and range of programming in Welsh and English; and
- The impact of future media and digital developments.

2 Funding

S4C

12. On 1 November 1982, Sianel Pedwar Cymru (S4C)²⁴ first went to air with 22 hours a week of Welsh language programming. Government responsibility for S4C was initially held by the Home Office and S4C was funded by a grant in relation to the level of television advertising income in the previous year, which increased year on year. This, coupled with an agreement with BBC Wales to supply 520 hours of programming a year at no extra cost, led Roger Laughton, then head of Bournemouth Media School, to describe the 1980s and 1990s as years of “comparative plenty” for S4C.²⁵

13. In October 2010, Rt Hon Jeremy Hunt MP, then Secretary of State for Culture, Media and Sport, made significant changes to S4C’s funding following his Department’s settlement in the Spending Review. The Culture Secretary wrote to S4C confirming a cut of 24.4% to its funding over the four years of the Spending Review period (equivalent to 36% in real terms).²⁶ However, the Public Bodies Act 2011 also placed a duty on the Secretary of State to secure “sufficient funding” to enable the S4C Authority to fulfil its public service remit.²⁷ A new framework agreement was also reached between the BBC and the UK Government, which saw 90% of S4C’s funding coming from the licence fee. This agreement runs until March 2017. A further 8% of S4C’s funding comes from the Department for Culture, Media and Sport (DCMS), which in 2015/16 amounted to £6.787m.²⁸ S4C can also generate its own commercial income, and advertising sales accounted for the remaining 2% of the channel’s overall funds. S4C’s future funding is therefore reliant on multiple sources of income and subject to both the Government’s Spending Review and the BBC Charter Renewal process.

S4C’s grant funding from the Department for Culture, Media and Sport

14. The Government’s position regarding S4C’s future funding has changed significantly during the course of our inquiry. S4C’s funding was expected to be reduced as a consequence of the announcement that the BBC would cover the cost of free television licences for those aged over 75 from the beginning of the 2018/19 financial year. Funding free licences for over-75s cost the Government £608m in 2013/14, which equates to about a fifth of the BBC’s budget.²⁹ When the BBC took on this commitment, Rt Hon John Whittingdale MP, Secretary of State for Culture, Media and Sport, said it would be “reasonable to expect [S4C] to make the same kinds of efficiency savings that the Government are looking for the BBC to make”.³⁰ Edward Vaizey MP, Minister for Culture and the Digital Economy, argued that S4C was “extremely generously funded”,³¹ and in July 2015, Rt Hon John Whittingdale MP and Rt Hon George Osborne MP wrote to Lord Hall, Director General, BBC, stating:

²⁴ This translates to English as Channel 4 Wales

²⁵ Roger Laughton, *S4C: An Independent Review (July 2004)* p. 8

²⁶ S4C, *S4C Annual Report 2010* p. 89, and S4C (BIW20) p2.

²⁷ Public Bodies Act 2011, *Section 31*

²⁸ *PQ215925* [on S4C], 2 Dec 2014

²⁹ BBC, *Television Licence Fee Trust Statement for the Year Ending 31 March 2015* (July 2015), p 25

³⁰ HC Deb, 6 July 2015, *col 29* [Commons Chamber]

³¹ HC Deb, 3 December 2015, *col 518* [Commons Chamber]

“the BBC’s grant to S4C may be reduced by an equivalent percentage reduction in funding to the percentage reduction made to BBC funding over the period 2018/19 to 2020/21. It will be up to the Government to decide how to make up the shortfall”.³²

Meri Huws, Welsh Language Commissioner, told us this “continuous financial uncertainty...would present challenges for any organisation, but it is particularly difficult for S4C given the disproportionate cuts already applied to the channel’s budget”.³³

15. The Conservative Party Welsh Manifesto, launched on 17 April 2015 ahead of the General Election, stated that the funding and editorial independence of S4C would be “safeguarded”.³⁴ Despite this, the Government announced on 25 November 2015 in the Spending Review, that S4C’s grant from DCMS would reduce by 25% to £5m by 2019. In comparison, that Department’s overall budget was reduced by 5%. Many of our witnesses³⁵ questioned whether this was a breach of the Secretary of State’s statutory duty to provide “sufficient funding” in accordance with the Public Bodies Act.³⁶ The Welsh Language Commissioner told us that the reduction in funding could “endanger the future of the channel and its ability to continue to support and promote the Welsh language”.³⁷

16. The impact of the Spending Review announcement on S4C’s future funding was subsequently raised by Simon Hart MP in an adjournment debate on the floor of the House on 5 January 2016. During the debate, the Minister for Culture told Members that S4C was “more generously funded than any other media organisation in terms of the number of viewers it receives” and that:

“the cuts that we are talking about, although headlined as being 25%, amount to just £1.5m within that overall budget. It is an overall cut of less than 2%...to characterise this as somehow a devastating cut is quite wrong”.³⁸

17. The majority of our witnesses did not share this view, and stressed the need to consider the specific context in which S4C functions as a channel, as well as the Government metrics in assessing S4C’s success. The key criticisms related to the following, and are considered below;

- Efficiency savings already made by S4C;
- The channel’s economic contribution;
- S4C’s cultural and linguistic contribution.

S4C efficiency savings

18. The S4C Authority expected the channel to deliver efficiency savings in excess of 20% between 2010 and 2014.³⁹ According to S4C’s Annual Report 2015, the channel has achieved

32 [Letter dated 3 July 2015](#), from Rt Hon John Whittingdale MP and Rt Hon George Osborne MP to Lord Hall, BBC

33 Welsh Language Commissioner ([BIW04](#))

34 The Conservative Party, [Welsh Manifesto 2015](#), April 2015 p. 35

35 Dylan Huws, Q190, Cymdeithas yr Iaith ([BIW14](#)), Welsh Language Commissioner ([BIW04](#))

36 Public Bodies Act 2011, [Section 31](#)

37 Welsh Language Commissioner ([BIW04](#)) p.1

38 HC Deb, 5 Jan 2016, [col 263](#) [Commons Chamber]

39 S4C, [S4C Annual Report 2015](#) p. 55

over £12.5m in efficiency savings since 2011.⁴⁰ In 2014/15, the channel's expenditure on commissioned programmes was 80% of the channel's entire spend. Furthermore, the channel's overheads had been brought down to only 3.98% of its costs that year, which compares very favourably to a public sector average of 11.3%.⁴¹ However, S4C told us that the efficiency programme "has already meant an unavoidable reduction in S4C's ability to offer certain genres of programming—such as high quality original drama and sport".⁴²

19. As a result of the efficiency programme, S4C's high-definition service 'Clirlun' was closed down in 2012. Ian Jones, Chief Executive, S4C, told us, "we are the only public service broadcaster...in the UK that does not broadcast on high definition".⁴³ There has also been an increase in the channel's level of repeats, which is now at an all-time high of 57%, and is more than double the target of 20%, set at the channel's outset in 1982. Dr Ruth McElroy, Centre for Media and Culture in Small Nations, University of South Wales, described these as going "beyond mere efficiency savings"⁴⁴ which risk starting to "genuinely impact on the quality of the provision".⁴⁵

20. **We commend S4C for the efficiency savings they have made since 2011. These are particularly helpful at a time when every public sector body has been asked to contribute to a reduction in spending. We feel it is inevitable that the spending reductions that have taken place will have had an impact on the quality of Welsh language broadcasting and the number of repeats are evidence of this. Given the reduction of the level of overhead expenditure, and the channel's increased reliance on repeats at present, we are concerned that further drastic efficiency savings, as proposed in the November 2015 Spending Review, could seriously impact the channel's quality of output.**

S4C's economic contribution

21. S4C is a publisher-broadcaster, meaning that it commissions or 'buys' its programming and content from companies independent of itself. During 2014/15, programmes were commissioned from 65 companies.⁴⁶ Research commissioned by the channel, suggests that for every £1 that the channel invests in content, it produces £1.95 of added value to the Welsh economy.⁴⁷

22. We have heard evidence that S4C's efficiency savings are having a present negative impact on the wider Welsh economy and production sector. According to Ofcom, the savings have resulted in a decrease in original work commissioned from independent production companies, falling by 3% in the year 2013/14.⁴⁸ Dylan Huws, Cwmni Da, told us this had a direct impact on his Caernarfon based company:

40 S4C, [S4C Annual Report 2015](#) p. 55

41 Q247 Ian Jones

42 S4C ([BIW20](#)) p3.

43 Q247 Ian Jones

44 Centre for Media and Culture in Small Nations, University of South Wales ([BIW07](#)) para 1.4

45 Q271 Dr Ruth McElroy

46 S4C, [Dyfodol Teledu Cymraeg. The Future of Welsh Broadcasting](#), 27 May 2014

47 S4C, [Independent Research: S4C's Economic Value is double annual budget](#), 13 June 2013

48 Ofcom Cymru ([BIW18](#))

“Last May we went through a process of redundancies, something that we have never had to do before. We now employ 53 people full-time; at one time, we employed 73 people, and several freelancers on shorter-term contracts... Salaries in our company have frozen for four years”.⁴⁹

23. In addition, witnesses have explained to us what effect the reduction in work commissioned by S4C might have in the future. Nia Thomas, Boom Cymru, pointed to the impact on talent development, telling us “it is a threat for succession in the sector if things carry on as they are”.⁵⁰ Gareth Williams, Chief Executive, Rondo Media, added:

“If you shrink S4C and BBC Wales even more, there will be fewer series for those people who get their opportunities...We are worried about the next generation of producers, authors, directors. There will not be enough opportunities and new places for them to enter the market to make a name for themselves. That is the long-term danger”.⁵¹

24. Since S4C’s creation, a vibrant independent production sector has evolved. We welcome the key contribution this sector makes to the economy of Wales, adding value to the investments that the channel makes through commissions. With that in mind, we recommend that the impact of the efficiency savings that S4C have made should be monitored. This should in particular focus on the independent production sector, which is largely reliant on the channel.

S4C’s cultural and linguistic contribution

25. It is a requirement, set out in Ofcom’s guidelines, that public service broadcasters are expected to “reflect and strengthen our cultural identity through original programming at UK, national and regional level”.⁵² Many witnesses stressed the need to acknowledge S4C’s contribution as the only Welsh-language channel.⁵³ The Welsh Language Commissioner told us that hearing the language on television is of particular importance, and that “anyone who is bringing up children in Wales today will appreciate the importance of Cyw⁵⁴ and broadcasting on television”.⁵⁵ Sian Powell, Cardiff University, emphasised that given S4C is the only Welsh language channel, it should not be assessed solely in monetary terms, “assuming that S4C is value for money I think is looking at things in the wrong way”.⁵⁶

26. We acknowledge S4C’s unique role as the only Welsh language channel in the world. Furthermore, we appreciate how important it is to be able to hear the Welsh language on TV. In light of this, we urge the Government to acknowledge S4C’s value as a bastion of Welsh language, life and culture, and we believe any consideration of its funding should be considered within this particular context.

49 Q192 Dylan Huws

50 Q207 Nia Thomas

51 Q207 Gareth Williams

52 Ofcom, [PSB Annual Report 2015](#), p. 4

53 Q104 Sian Powell, Q107 Dyfrig Jones,

54 Cyw is S4C’s children’s programming service.

55 Q1 Meri Huws

56 Q104 Sian Powell

Independent review

27. Throughout our inquiry, it was suggested that the S4C should be subjected to an independent review, to allow for careful consideration of the above issues. This would allow for assessment of the channel's needs and scope as well as its contribution as a public service broadcaster. Angela Graham, Institute of Welsh Affairs' Media Policy Group, told us that such a review would "allow for full consideration of all the factors relating to the channel".⁵⁷ This was supported by independent production companies who felt that it is only by conducting a thorough review that a definition of "sufficient funding" in accordance with the Public Bodies Act 2011 can be understood.⁵⁸

28. So powerful were the arguments we heard for the need for a review, and such was the strength of the evidence we received on the issue of funding, that we wrote to the Chancellor of the Exchequer on 2 February 2016. We called on the Government to conduct an independent review of the channel's remit and scope.⁵⁹ We felt this would allow a full and rigorous understanding of the sufficiency of its funding requirements as the only Welsh channel anywhere in the world.

29. Following our letter, the Government announced it would withdraw the first year of proposed grant reductions and conduct a "comprehensive review" of S4C's remit, governance and funding.⁶⁰ The year's delay in reducing the grant amounts to £400,000. Any further funding implications will be subject to the review itself. This was described by the Minister of Culture as "an opportunity for S4C...not an excuse to do nasty things to S4C".⁶¹

30. This commitment to a review of the channel was reiterated in the Government's White Paper on the BBC Charter Review. However, it also stated that "following this review the Secretary of State maintains the power to amend the process for setting S4C's funding".⁶² It remains unclear, therefore, what impact the review will have on the channel's funding structure in future.

31. We welcome the Government's decision to cancel the first year of grant cuts, and to undertake a review of the channel's full remit and scope. It is only in the review that the wider contribution of S4C, and the issues raised during our inquiry, can be suitably and independently assessed. This also highlights the value of cross-party scrutiny, and we are glad that the Government has listened closely to our concerns.

32. The remit of the independent review should include the power to consider whether present and future funding arrangements with the BBC are fit for purpose in terms of the quality of S4C's output and the channel's independence, and to make recommendations. The review should be able to recommend an increase in funding if the previous budgets are assessed to be insufficient for purpose, and to specify the level of funding required.

⁵⁷ Q87 Angela Graham

⁵⁸ Q190 Dylan Huws, Q193 Nia Thomas, Q198 Iestyn Garlick

⁵⁹ [Letter dated 2 February 2016](#) from David TC Davies MP to Rt Hon George Osborne MP

⁶⁰ Department for Culture, Media and Sport, [UK Government protects funding for Welsh broadcaster S4C](#) 3 February 2016

⁶¹ Q368 Edward Vaizey MP

⁶² Department for Culture, Media and Sport, [A BBC for the future: a broadcaster of distinction](#), May 2016 p. 97

33. *The financial uncertainty faced by S4C over recent months was not a healthy and suitable way for the channel to conduct long-term editorial planning decisions and fulfil its public service remit. We recommend that the Government conducts an impact assessment of any further grant cuts to S4C as part of its review.*

34. *Any future funding agreement should be determined through a transparent process which takes into account all stakeholders impacted by the channel, the independent production sector included. The channel should not be left in any position of financial uncertainty which adversely affect the quality of its services.*

35. *S4C should be reviewed on a regular and consistent basis. This would allow for specific consideration of its changing needs, in the face of developing audiences and technological advancement, and the resources needed by the channel to fulfil its remit. We recommend it is reviewed every 5 years.*

BBC

36. In the 2010/11 financial year, the BBC's total income, in 2016 prices, was £5.77bn. Since then, this has been dramatically reduced to £4.85bn.⁶³ According to the BBC's Annual Report 2014/15, at the same time as income has reduced, the BBC Trust has also realised efficiency savings of £484m, and it is expecting to meet its target of £700m savings per annum by the end of 2016/17.⁶⁴

37. It is estimated that £186m of TV licence Fee revenue is raised in Wales, £154m of which is spent on delivering content produced by BBC Cymru Wales and independent production partners.⁶⁵ The BBC told us that 60% of BBC Cymru Wales' spend is targeted at dedicated services for Wales with the remaining 40% spent on network TV content for UK audiences.⁶⁶ In terms of contributing to expenditure reductions, BBC Cymru Wales was asked to find savings of £10.7m by 2017 as part of the Delivering Quality First programme, introduced after the last licence fee settlement.⁶⁷ According to Lord Hall, BBC Cymru Wales found the reductions they required by prioritising news, current affairs and political coverage at the expense of comedy, entertainment and culture.⁶⁸ Ofcom's third statutory review of public service broadcasting stated that, in real terms, Wales and the English regions⁶⁹ have seen the steepest declines in spend on original programming between 2008 and 2014, at 30% and 31% respectively.⁷⁰ Rhodri Talfan Davies, Director, BBC Cymru Wales, described the decline in spending as "challenging" and said that "it has been a tough process".⁷¹

38. One particular area of concern has been the reduction in English language programming. BBC Wales' content investment has fallen by 30% since 2006/07, from

63 These figures have been taken from BBC Annual Reports and Accounts, and have been converted to 2016 prices.

64 BBC, [BBC Annual Reports and Accounts 2014/15](#) p. 24

65 PWC, [BBC: The impact of a change in the BBC's Licence Fee revenue](#)

66 BBC Cymru Wales (BIW09) para 5.2

67 BBC, [Delivering Quality First in Wales](#), p. 17

68 BBC Wales News, ["Tony Hall: BBC's English language TV in Wales 'eroded'"](#), 1 April 2014

69 For example, BBC North East and Cumbria, BBC South West, etc

70 Ofcom, [Public Service broadcasting in the internet age: The Nations of the UK and their regions](#) (2 July 2015) para 2.8

71 Q324 Rhodri Talfan Davies

£24.6m to £20.8m in 2014/15.⁷² It is unclear at present what will happen during the next Charter period. James Purnell, Director of Strategy and Digital, BBC, told us that providing any further investment in English language programming will be a challenge:

“We would like to find some more money for English language programming in Wales, but it is going to be quite tough given the overall cut in funding that we face”.⁷³

39. In its response to the Government’s Green Paper on Charter Renewal, the BBC stated that funding for the nations will be reduced less than other parts of the BBC.⁷⁴ However, in its written evidence, the BBC makes it clear that an increase is unlikely. It states that whilst the BBC remains:

“committed to investing in programming across the UK and ensure that the drama and comedy we produce for BBC One and BBC Two better reflect the diversity of the UK’s nations and regions...significant new investment in a broader range of programming, such as drama, comedy and entertainment, cannot be delivered within the current Budget agreement with the Government”.⁷⁵

40. The Institute of Welsh Affairs said that investment should be closer to 2006 levels “in terms of basic resources...as a basic level service”.⁷⁶ Similarly, Glyn Mathias, Ofcom’s Advisory Committee for Wales, told us that reducing funding for the nations less than elsewhere is insufficient “given the volume of cuts that have already taken place over the last few years”.⁷⁷ He added that any further funding cut should not be reached as a blanket figure, and that “You have to take into account the specific circumstances that the reductions in public service broadcasting in Wales have been greater than any other nations”.⁷⁸ The Institute of Welsh Affairs added:

“it is arguable that Wales has not had the resources to develop a broadcast service for Wales, in the way that would be desirable and in a way I think that the senior management and now the Trust are recognising in the BBC. The society, the nature of broadcasting, that we feel that viewers and listeners in Wales deserve, by the BBC’s own admission, has not been fully fulfilled”.⁷⁹

41. The BBC’s position was reiterated in Lord Hall’s letter on the 12 May. Whilst noting that “we need to do even more” the Director General said that proportionately more will be spent on “dedicated services in each of the Nations” and “if we can find additional sources of income over the licence fee period we will to increase this further.” There was also a specific commitment to spend more on English-language television programming in Wales, with the “aim to attract additional investment alongside our own funding”.⁸⁰

72 BBC Cymru Wales ([BIW09](#))

73 Q326 James Purnell

74 BBC, [British, Bold Creative](#), September 2015, p.95

75 BBC Cymru Wales ([BIW09](#)) p. 14

76 Q76 Angela Graham

77 Q170 Glyn Mathias

78 Q170 Glyn Mathias

79 Q81 Hywel Wiliam

80 [Letter dated 12 May 2016](#) from Lord Hall, BBC, to the Secretary of State for Culture, Media and Sport, the First Minister of Wales, the First Minister and the deputy First Minister of Northern Ireland and the Cabinet Secretary for Culture, Europe and External Affairs, Scottish Government

42. Lord Hall, Director-General, BBC, has acknowledged for some time that BBC Wales' non-news output in English had eroded. Despite this, we do not believe that the BBC's suggested allocation of resources to Wales helps to redress this degradation. Their initial proposal to reduce funding to the nations and regions less than elsewhere did not take into account the decline in funding for BBC Wales' English language provision since 2006/07.

43. *In any allocation of funding we believe the specific circumstances facing public service broadcasters in Wales should be taken into account. In the face of weak media plurality, the BBC has a greater role to play in Wales. Therefore, the decline in funding has also been greater than in other parts of the UK. As such, we recommend that the BBC allocates investment from its current Budget for English language programming in Wales closer to the levels seen in 2006/07.*

44. *Therefore, the corporation's most recent proposals, firstly, to spend proportionately more on dedicated services in each of the nations within the overall BBC budget, and secondly, to specifically spend more on English-language television programming in Wales, is to be welcomed. However the detail of these proposals that has been provided so far is scant. We require further clarification on the means by which the BBC plans to increase spend on English language programming in Wales and the extent of this increase. We request that this information be provided to the Committee in response to this report.*

3 Governance and Regulation

BBC

Current governance arrangements

45. The BBC is a large and complex corporation. As such, its governance, operations and oversight are administered through a number of bodies. Foremost of these is the BBC Trust. The BBC's Royal Charter states that the Trust is the governing body of the BBC, and ensures that the BBC delivers its mission "to inform, educate and entertain".⁸¹ The Trust sets the strategic direction and represents the interests of licence fee payers. It sets purpose remits, issues service licences and holds the Executive Board to account for its performance in delivering BBC services.

46. Operational responsibility for the BBC rests with the Executive Board. It is responsible for delivering the BBC's services and running the organisation in accordance with the overall strategy set by the Trust. Headed by the Director-General, it is made up of a further six executive directors from within the BBC and a number of non-executive directors, who bring external expertise and insight to the operation of the Board.

47. A further eight directors are engaged in the Executive Team. This body looks at pan-BBC issues and ensures that all divisions are involved in delivering the BBC's objectives. Rhodri Talfan Davies, Director, BBC Cymru Wales, is a member of the Executive Team. Mr Davies also chairs the BBC Cymru Wales Board of Management, which co-ordinates the corporation's day-to-day operations in Wales.

48. Another body providing oversight is the BBC's Audience Councils. These advise the Trust on how well the BBC fulfils its public purposes, and how well it serves those who pay the licence fee across the UK. The Audience Council Wales holds meetings with viewers across Wales as a way to glean the views of Welsh audiences. It also publishes an annual review of the BBC's services in Wales.⁸² The Council is chaired by Elan Closs Stephens, who is also the National Trustee for Wales on the BBC Trust.

49. Externally, Ofcom also has a number of regulatory responsibilities that relate to the BBC. Among these are its regulation of broadcast content, handling complaints, and its role in market impact assessments.

50. It has become clear throughout our inquiry that this complex governance structure is problematic. ITV Wales told us that the current arrangements were "flawed" and Elan Closs Stephens said that the key problem with the current arrangement "is trying to do two different roles in one".⁸³ Rona Fairhead, Chair, BBC Trust, agreed and described BBC governance as having blurred lines of responsibility;

"At the moment, if there is a question people do not know whether they go to the DG (Director-General), who is also chairman of the executive board, or to

⁸¹ Department of Culture, Media and Sport, [Broadcasting: Copy of Royal Charter for the continuance of the British Broadcasting Corporation, Cm 6925, October 2006](#)

⁸² BBC Trust, [Wales Annual Review 2014-15](#), 14 July 2015

⁸³ Q213 Elan Closs Stephens

the Trust. We are trying to stop that confusion...There are blurry lines about who actually is in charge of that management and operation and that is what we think needs to be addressed”.⁸⁴

Reform proposals in the Charter Review

51. The Government’s BBC Charter Review Public Consultation⁸⁵ proposed three options for reforming the BBC Trust. The first was to retain the current framework, but reform the Trust model; the second was to establish a standalone regulator; and the third was to have Ofcom perform the standalone regulator role.

52. The stand-alone regulator model would mainly comprise a second body—completely distinct from the BBC—that performs some or all of the oversight and regulatory functions that currently sit with the Trust. This model sees the BBC adopting a unitary board which would consolidate the function of strategy setting and responsibility for operational delivery. This approach was recommended by the Culture, Media and Sport Committee’s report in February 2015.⁸⁶ The Government argues this model would remove much of the criticism about the BBC Trust’s conflict as being both “regulator and cheerleader”. The consultation document states that the model:

“could also bring all of the key strategic and operational responsibilities together in a unitary board, with very clear lines of accountability and a strong non-executive membership that can ensure the interests of the British public are properly represented”.⁸⁷

53. The BBC Executive told us that external regulation would bring “clarity to how we are regulated” and that they are in favour of a unitary board.⁸⁸ The BBC Trust agreed that a unitary board, including an independent chairman and a majority of non-executive directors, would be preferable. This, according to Rona Fairhead, would ensure “the management would be held to account in the way that the board did...but you would still have a regulator on the service licence side to decide what level of service licences need to be in place.” A unitary board was also favoured by ITV, who argued this would “help the BBC to become simpler and easier to deal with”.⁸⁹

Governance in relation to Wales

54. In terms of the impact on Wales, in 2014, the Commission on Devolution in Wales recommended establishing a devolved governance body within the BBC Trust to provide independent oversight and scrutiny of the BBC in Wales.⁹⁰ The Centre for Media and Culture in Small Nations, University of South Wales, told us that “governance and accountability of broadcasting in Wales needs better to reflect [the UK’s] devolved realities”.⁹¹ This was echoed by the Institute of Welsh Affairs who described the current

84 Q215 Rona Fairhead

85 Department of Culture, Media and Sport, [BBC Charter Review Public Consultation](#), 16 July 2015

86 Culture, Media and Sport Committee, Fourth Report of Session 2014-15, [Future of the BBC](#), HC 315

87 Department of Culture, Media and Sport, [BBC Charter Review Public Consultation](#), 16 July 2015, p.69

88 Q329 James Purnell

89 Q397 Magnus Brooke

90 Commission on Devolution in Wales, [Empowerment and Responsibility: Legislative Powers to Strengthen Wales](#), March 2014

91 Centre for Media and Culture in Small Nations, University of South Wales ([BIW07](#))

structures as “weak...in terms of being able to reflect views of listeners and viewers in Wales”.⁹² Similarly, Glyn Mathias, said that in the case of external regulation “the model should be replicated in Wales so that there will be external, independent directors and independent chair”.⁹³ Dyfrig Jones, Bangor University, added that “to federalise the BBC I think would be the ideal”.⁹⁴

55. However, the suggestion that the BBC’s governance structures have become overly centralised was not shared by the BBC’s Director of Strategy and Digital:

“I do not think that is right. There are huge benefits in terms of economies of scale to having broadcasting organised on a UK basis. There is a huge part of our role that is bringing the UK together to debate cultural, political, artistic questions...Our principle is always to get neither behind nor ahead of how constitutional change is happening. I think there is now a need to do more to reflect the way the country has changed again”.⁹⁵

56. We note that the Culture, Media and Sport Committee recently recommended that there should be no “specific director” for the nations under a new structure, on the basis that regional and national issues should be consulted by the board collectively.⁹⁶ This recommendation was described as “ill-considered” by the BBC Executive.⁹⁷ It was also rejected by Sir David Clementi in his review of the BBC’s governance and regulation. He proposed that the existing system of a designated Director for England, Scotland Wales and Northern Ireland “should be continued within the unitary Board”.⁹⁸ In the Government’s White Paper, Clementi’s recommendations were accepted in full. These included creating a unitary board for the BBC and full external regulation by Ofcom.⁹⁹ This board would include a non-executive member for Scotland, Wales and Northern Ireland. The BBC will also be required to lay their annual reports and accounts in each of the devolved legislatures and “submit reports to, and appear before, committees within the devolved legislatures on the same basis as the UK Parliament”.¹⁰⁰ In his letter to the devolved administrations, the Director-General added that the BBC intends to create sub-committees of the unitary Board for each nation to oversee their services.¹⁰¹

57. The evidence we received clearly points to a weak structure and a distinct lack of clarity as to where responsibilities lie when it comes to BBC governance under the existing Charter. It is also clear in the evidence that the role of the National Trustee for Wales is particularly important. This role ensures the governance of the BBC is not overly centralised, that the Welsh voice is sufficiently heard, as well as ensuring appropriate and forensic scrutiny of BBC Cymru Wales.

92 Q94 Hywel Wiliam

93 Q177 Glyn Mathias

94 Q122 Dyfrig Jones

95 Q331 James Purnell

96 Culture, Media, and Sport Committee, First Report of Session 2015-16, [BBC Charter Review](#), HC 398

97 BBC Wales News, [“Report recommends removing BBC board’s Welsh Trustee Role”](#), 11 February 2016

98 Department for Culture, Media and Sport, Sir David Clementi, [A Review of the Governance and Regulation of the BBC](#), March 2016, para 113

99 Department for Culture, Media and Sport, [A BBC for the future: a broadcaster of distinction](#), May 2016 p. 47

100 Department for Culture, Media and Sport, [A BBC for the future: a broadcaster of distinction](#), May 2016 p. 59

101 [Letter dated 12 May 2016](#) from Lord Hall, BBC, to the Secretary of State for Culture, Media and Sport, the First Minister of Wales, the First Minister and the deputy First Minister of Northern Ireland and the Cabinet Secretary for Culture, Europe and External Affairs, Scottish Government.

58. *We support the recommendation that the BBC should be externally regulated, in order to allow for better transparency and clarity of decision-making. It is right that the BBC Trust is replaced with a unitary board with an independent chairman and a majority of non-Executive Directors. We stress the essential role of a director for each of the nations and strongly recommend that this continues into the next Charter. We further recommend that Wales' nation director reports to and seeks advice from a delegated sub-committee of the unitary board to ensure a plurality of voices on matters related to the BBC's services in Wales. The membership of the Wales sub-committee will be appointed by the relevant Secretary of State, following appropriate discussions with the National Assembly for Wales.*

Service licences

59. A service licence is issued by the BBC Trust for every BBC service, such as BBC Radio Cymru. It defines the scope, aims, objectives, headline budget, performance measures and other key features of each service. For example, the BBC Radio Wales service licence states:

“The remit of BBC Radio Wales is to be an English language speech-led service for listeners seeking programmes about the life, culture and affairs of Wales... BBC Radio Wales should be available every day for reception across Wales on Medium Wave and FM and more widely on DAB digital radio and digital television platforms, and it may be simulcast on the internet. ...BBC Radio Wales has a service budget of £14.0m in 2016/17”.¹⁰²

Each BBC service is reviewed against its licence at least once every five years.

60. During our inquiry, it has been proposed that a service licence should be created for each nation, which would encompass all television, radio and online services. Resources would then be allocated between those services at the level of the individual nation rather than centrally. Gareth Williams, Rondo Media, told us:

“The BBC is in a position where, very often, Wales does not have enough responsibility for how the money is spent, prioritised and distributed within the various services, mainly because those services are tied to different service licences. We have to have a better system whereby that is put together, so that there is a way of getting speedier and more effective decisions about priorities and spending”.¹⁰³

The Institute of Welsh Affairs agreed, arguing that a single Welsh service licence would provide “greater flexibility” for the BBC’s management to manage the service “for Wales as a whole”.¹⁰⁴

61. Rona Fairhead, Chair, BBC Trust, told us that whilst this could allow for greater clarity it could risk creating a rigid set of requirements whereby “all the BBC is doing

¹⁰² BBC, [BBC Radio Wales Service Licence](#), April 2016

¹⁰³ Q193 Gareth Williams

¹⁰⁴ Q94 Hywel William

is ticking boxes”.¹⁰⁵ However, she added that the introduction of service licences have ensured the BBC is held to account and suggested the possibility of embedding “specific portrayal requirements for Wales or the other nations” within the existing licences.¹⁰⁶

62. Rhodri Talfan Davies, Director, BBC Cymru Wales, did not agree. He described the current system as taking “quite a rigid view of the services” which prevents “looking at the provision for Wales in the whole, in the round”.¹⁰⁷ In proposing a national licence for Wales, he argued this would “enable us to articulate what we are trying to achieve with audiences...I think at the moment that structure is probably a bit straitjacketed in terms of thinking about the individual nations”.¹⁰⁸

63. In his letter dated 12 May 2016, Lord Hall refers to such a ‘licence’ but it is unclear what form this would take;

“Our proposal that the BBC have a ‘licence’ for all the dedicated services provided for audiences in each of the Nations were also supported by the Clementi Review. If implemented, this will provide clear accountability for the services provided in each Nation and much more ability to shift resources around within each Nation’s dedicated services, further devolving decision-making to the Nations”.¹⁰⁹

64. *We recommend that a National Service Licence be introduced for Wales, which will allow for greater flexibility and accountability for the BBC in Wales. This will ensure the Director of BBC Cymru Wales can better control investment in services in Wales. In addition, in the face of changing technologies, it will enable for an integrated perspective of the service best suited for Welsh audiences to be taken. This will also ensure greater accountability for BBC Cymru Wales management, allowing for clear performance measurements, specific to Wales. In response to this report, we also seek further clarification on the BBC’s most recent licencing proposals. It is unclear what form these would take and their particular impact upon Wales.*

S4C

65. S4C is governed by the S4C Authority, an independent authority responsible for the channel’s strategic policy. The Authority’s Chair and members are appointed by the Culture Secretary. The S4C Authority has a duty to ensure that the channel complies with its PSB obligations.¹¹⁰ These obligations are to provide a broad range of high-quality and diverse programming as well as information, education and entertainment for the public in Wales. The Authority is also responsible for ensuring that effective management arrangements, including financial management, are in place for S4C’s services.

66. In the last Parliament, our predecessor committee inquired into S4C. It concluded that the S4C Authority failed to provide effective leadership during 2010, and that this was particularly regrettable at a time when the funding and governance of the organisation

¹⁰⁵ Q239 Rona Fairhead

¹⁰⁶ Q239 Rona Fairhead

¹⁰⁷ Q333 Rhodri Talfan Davies

¹⁰⁸ Q333 Rhodri Talfan Davies

¹⁰⁹ [Letter dated 12 May 2016](#), from Lord Hall, BBC, to the Secretary of State for Culture, Media and Sport, the First Minister of Wales, the First Minister and the deputy First Minister of Northern Ireland and the Cabinet Secretary for Culture, Europe and External Affairs, Scottish Government.

¹¹⁰ S4C, [S4C Authority: About us](#)

were in doubt.¹¹¹ As a result of our report, a review of the channel's governance structures was conducted by Sir John Shortridge, which was published in February 2011.¹¹² Huw Jones, Chair, S4C Authority, told us “almost all those recommendations have been implemented”.¹¹³

Operating agreement between the BBC and S4C

67. Since 2013, S4C has also been accountable to the BBC Trust, by way of an Operating Agreement, for use of licence fee money. The Operating Agreement currently safeguards S4C's editorial and operational independence. It also provides for the BBC's National Trustee for Wales to additionally sit on the S4C Authority. However, one aspect of the agreement is that it allows the BBC Trust to withdraw the licence fee funding from S4C in extreme circumstances.

68. The BBC and S4C explained that the arrangement between them had been working well. It was described as a “pretty positive” arrangement by Rona Fairhead,¹¹⁴ while Huw Jones, told us that “the presence of a Welsh trustee” on the BBC Trust acted:

“[as a] very effective bridge between the two organisations...it is that ability for us to speak directly to the BBC Trust and for the Trustee for Wales to be there representing S4C to the BBC and representing the BBC to S4C that has worked very well”.¹¹⁵

69. This view, however, was not wholeheartedly shared by all of our witnesses. Some voiced concern that the BBC risked being seen as a funder of S4C, given that the licence fee is S4C's main source of income, and is provided to it via the BBC. Cymdeithas yr Iaith said this risks the independence of S4C. Furthermore, Iestyn Garlick, Teledwyr Annibynnol Cymru (TAC),¹¹⁶ expressed concern about the BBC Trust's power to withdraw licence fee funding ‘in extremis’.¹¹⁷

70. We were told that the Operating Agreement between the current BBC Trust and S4C Authority is one that works well. However, in the face of a changing model of governance, it is essential that S4C's operational and editorial independence is maintained.

71. We are confident that S4C has introduced the necessary improvements within its governance structures following our predecessor Committee's report into the channel, and that it is in a much stronger position during this current licence fee settlement, than in 2010.

Ofcom

72. The final major body with responsibility and oversight for broadcasting in Wales is Ofcom. The Commission on Devolution in Wales recommended that Ofcom's governance

111 Welsh Affairs Committee, Fifth Report of Session 2010-12, [S4C](#), HC 614

112 S4C, [Review of the Corporate Governance of S4C](#) February 2011

113 Q248 Huw Jones

114 Q231 Rona Fairhead

115 Q250 Huw Jones

116 TAC is the representative body for independent production companies in Wales.

117 Q199 Iestyn Garlick

structures could be strengthened by ensuring that Wales is represented on its Board. This could be achieved, “through either a specific Board member for Wales or by designating responsibility for Wales to an existing Board member’s portfolio”.¹¹⁸

73. The Commission’s proposals have been included in the draft Wales Bill. Clause 29 proposes that Welsh Ministers appoint one member of the Ofcom Board, in consultation with the Secretary of State for Wales.¹¹⁹ It also provides for a copy of Ofcom’s statement of accounts and Annual report to be laid before the National Assembly.

74. These provisions were welcomed by Ofcom who told us that this would lead to a better reflection of a devolved UK. Rhodri Williams, Director, Ofcom Cymru, told us this was “an asset...a strengthening of our ability to represent the interests of citizens and consumers in the devolved nations”.¹²⁰

75. We welcome the provisions made in the draft Wales Bill to require a Welsh Minister to appoint one executive member of Ofcom and for Ofcom to lay its annual report before the National Assembly. We recommend that these provisions be included in the final Bill.

118 Commission on Devolution in Wales, [Empowerment and Responsibility: Legislative Powers to Strengthen Wales](#), March 2014

119 Wales Office, Draft Wales Bill, [CM 9144](#), October 2015

120 Q67 Rhodri Williams

4 Portrayal of Wales on screen

Portrayal of Wales to Wales

76. Research conducted by the University of South Wales and the BBC Audience Council for Wales concluded that audiences in Wales value the programming produced in, and representing images of, the country. The research stated that “such representations strengthen a collective sense of cultural and social identity”.¹²¹ However, while BBC English language programming hours in Scotland and the English regions have remained broadly stable, they have dropped in Wales.¹²² Ofcom’s latest Communication Market Report for Wales observed that “Wales was the only nation that saw a reduction in first-run originated output year on year”.¹²³ The reduction in non-network English language television spend by the BBC and ITV Wales between 2008 and 2013 was the biggest percentage decline in any of the UK’s nations at 30%.¹²⁴

77. One explanation for the drop of English programming hours in Wales is that, following the last licence fee settlement, BBC Cymru Wales was asked to find savings of £10.7m by 2017 as part of the Delivering Quality First programme.¹²⁵ In April 2014, Lord Hall admitted that:

“English language programming, from and for Wales has been in decline for almost a decade. There are some aspects of national life in Wales that are not sufficiently captured by the BBC’s own television services in Wales”.¹²⁶

In July 2015, he further explained that, to meet their saving targets, BBC Cymru Wales consequently prioritised news, current affairs and political coverage at the expense of comedy, entertainment and culture. The Audience Council for Wales described this reprioritisation of content as a process that brought BBC Cymru Wales’ non-news television provision “closer to the cliff edge”.¹²⁷

78. ITV Wales’ programme provision outside news has also fallen, from four hours a week to one and a half hours a week, following an agreement with Ofcom in 2009. In comparison, the independently-owned ITV service in Scotland (STV) increased its output.¹²⁸ ITV Wales explained that it was difficult to ensure an economically viable return on programmes made specifically for Welsh audiences:

“the economics of producing programmes specifically for Welsh audiences in the English language...are really challenging, to the point where, for a commercial broadcaster such as ITV...it is very difficult to get a commercial return on that kind of programming”.¹²⁹

121 Centre for Media and Culture in Small Nations, University of South Wales ([BIW07](#)) para 3.2

122 Ofcom, [Communications Market Report: Wales](#), August 2015, p. 7

123 Ofcom, [Communications Market Report: Wales](#), August 2015, p. 7

124 Ofcom, [Communications Market Report: Wales](#), August 2015, p. 7

125 BBC, [Delivering Quality First in Wales](#), p. 17

126 BBC Wales News, [“Tony Hall: BBC’s English language TV programming in Wales ‘eroded’”](#), April 2014

127 BBC Trust, [Wales Annual Review 2014-15](#), July 2015

128 Following the award of a new channel 3 licence specifically for Wales in 2014, ITV Plc, which owns ITV Cymru Wales, agreed to maintain its provision of news, current affairs and other programming at existing levels until the licence expires in 2024. Under the terms of the licence, ITV Wales provides 4 hours/week of news and 1.5 hours of current affairs and other programmes per week for Wales, the majority screened in or near peak.

129 Q387 Phil Henfry

79. As a result, the University of South Wales concluded that important elements of Welsh national life are failing to be captured on screen.¹³⁰ Ofcom's Advisory Committee for Wales told us that this decline by more than 100 hours, has resulted in Welsh audiences being unable to benefit from the same plurality of opinion as others in the UK.¹³¹ The Institute of Welsh Affairs described this as a "serious crisis emerging".¹³² The former Presiding Officer of the National Assembly for Wales also voiced concern about BBC Wales' political coverage, stating that "It is incongruous that—at a time when more powers have been devolved to Wales—there is less coverage and challenge of its political life" and, as such, constitutes a "democratic deficit".¹³³

80. It is worrying that specific media provision for Welsh audiences is in decline. One result of this is insufficient scrutiny of decisions affecting Wales, made by the Welsh and UK Governments. This paucity of information may also contribute to an ill-informed population. Moreover, given the high value that Welsh audiences place on seeing themselves and Welsh life on screen, the current service and any prospect of further decline, particularly in non-news programming, is concerning.

Portrayal of Wales to the rest of the UK

81. The concerns related to the level of Welsh portrayal to the people of Wales are similarly raised in relation to the portrayal of Wales on the UK-wide network. Audience research conducted by Ofcom suggests that the importance people place on their nation and region being portrayed fairly to the rest of the UK has increased across the UK since 2008.¹³⁴ However, Rhodri Talfan Davies acknowledged that more had to be done to represent Wales, nationwide:

"One of the big challenges [and] big questions we are looking at...is how we ensure that our network television services achieve better representation of the UK".¹³⁵

82. In assessing the main factors contributing to the paucity of Welsh portrayal to the UK, our witnesses focused on two key issues. The first related to commissioning, including how and from where this was done. The second related to the location of production. We examine both of these below.

Commissioning and production quotas

83. Over the last decade, the BBC has sought to decentralise its production activity, moving it away from London. It has addressed this in particular by establishing regional production quotas. The corporation told us it is committed to ensuring 17% of network spend comes from the UK nations, and that 50% of network TV expenditure should be invested outside London.¹³⁶ In 2014/15, 7.8% (£59.1m), of network television spend was assigned to Wales, which compares favourably to a 4.9% population share. BBC Cymru

130 Centre for Media and Culture in Small Nations, University of South Wales ([BIW07](#)) para 3.4

131 Ofcom Advisory Committee for Wales, ([BIW08](#))

132 Q25 Hywel William

133 Dame Rosemary Butler AM, Presiding Officer of the National Assembly for Wales ([BIW10](#)) p. 3

134 Ofcom Advisory Committee for Wales, ([BIW08](#))

135 Q325 Rhodri Talfan Davies

136 BBC Cymru Wales ([BIW09](#))

Wales' performance has been aided by the BBC's largest drama production centre in the UK opening in Roath Lock, Cardiff Bay, in March 2012. Rona Fairhead told us that these production quotas should continue during the next Charter period.¹³⁷

84. However, we were told that decentralising production has not resulted in an increase in the portrayal of the nations and regions on screen. This was particularly evident in the case of drama production. The BBC itself admitted that it had underperformed on decentralising production, with Elan Closs Stephens describing this as an "area of weakness",¹³⁸ and Rhodri Talfan Davies acknowledging "there is room for improvement".¹³⁹ As such, the BBC Trust told us that the BBC's public purposes should include a requirement for portrayal.¹⁴⁰

85. Some of our witnesses pointed to the centralised commissioning process as being the reason for a lack of progress. The IWA told us that having commissioners based in London "all the time" was a key factor.¹⁴¹ Professor Tom O'Malley, Aberystwyth University, believed there should be more responsibility for commissioning in Wales:

"I think that people who live and work in Wales, and who are more in touch with the diverse cultural life of Wales and the political life of Wales, are going to be in a stronger position to make judgements about the kind of material that needs commissioning".¹⁴²

Moreover, Dr Ruth McElroy asserted that this change cannot "come about naturally. I think it does require an intervention in the supply chain".¹⁴³

86. In his letter to the devolved administrations in May 2016 Lord Hall acknowledged that the BBC's programmes have "not done enough to reflect each Nation to itself, and to the rest of the country".¹⁴⁴ This, he said, would be tackled by "committing to have a drama commissioning editor responsible for each Nation, reporting to the overall Controller of BBC Drama Commissioning".¹⁴⁵ Whilst a comedy commissioner for Scotland would be based in Glasgow, it is unclear from these proposals where the Welsh commissioning editor would be based.

87. From the perspective of independent production companies, we were told that they too were struggling to access network commissioners based in London. Nia Thomas, CEO, Boom Cymru, told us:

"We can only portray Wales to the UK if the content is commissioned in the first place...There needs to be a greater commitment from London to commission more content on a network level that reflects life in Wales".¹⁴⁶

137 Q216 Rona Fairhead

138 Q217 Elan Closs Stephens

139 Q340 Rhodri Talfan Davies

140 Q216 Rona Fairhead

141 Q93 Hywel Wiliam

142 Q155 Prof. Tom O'Malley

143 Q285 Dr Ruth McElroy

144 [Letter dated 12 May 2016](#), from Lord Hall, BBC, to the Secretary of State for Culture, Media and Sport, the First Minister of Wales, the First Minister and the deputy First Minister of Northern Ireland and the Cabinet Secretary for Culture, Europe and External Affairs, Scottish Government

145 [Letter dated 12 May 2016](#), from Lord Hall, BBC, to the Secretary of State for Culture, Media and Sport, the First Minister of Wales, the First Minister and the deputy First Minister of Northern Ireland and the Cabinet Secretary for Culture, Europe and External Affairs, Scottish Government p. 4

146 Q205 Nia Thomas

Dylan Huws, Cwmni Da, also pointed to a “disconnect between the broadcaster in Wales and the broadcaster in London”.¹⁴⁷

88. The independent production companies also described a lack of clarity when it comes to pitching programme ideas for the network. We were told that the BBC’s “nations to network” process, whereby programmes commissioned by BBC Wales which are then passed on to the network should be improved. Nia Thomas explained the current process:

“the company gets a small uplift in the licence fee, but the programme is not as high as if we had an original commission from London. That means that there is a danger that the production values are possibly not as good. If that is the way that the Welsh voice is heard over the border, we are at a disadvantage there”.¹⁴⁸

89. By contrast, Channel 4’s commitment to commissions from the devolved nations, however, was praised by the independent production companies.¹⁴⁹ In 2014, Channel 4 invested £3.8m in content from Welsh companies. Gareth Williams, Rondo Media, told us that Channel 4 “has been coming to Wales more often to meet producers, to do commissioning sessions and to view commissioned programmes”.¹⁵⁰ Whilst this approach was also welcomed by the Centre for the Study of Media and Culture in Small Nations, University of South Wales’, it was stressed that “the tangible outputs of this approach need to be monitored to see what improvements they deliver to Wales both in terms of production sourcing and on-screen representation”.¹⁵¹

90. **It is disappointing that the BBC’s introduction of production quotas for out-of-London has not resulted in an improvement in the portrayal of Wales on network television. We therefore welcome the BBC Trust’s suggestion to strengthen the BBC’s public purposes in the next Charter to include portrayal and to make explicit the duty of the BBC to reflect the whole of the UK in its services. Whilst we welcome the most recent proposals to have a drama commissioning editor responsible for each nation, these should be based in the nations themselves, and should also extend to other non-news genres.**

91. *The BBC’s commissioning process needs urgent improvement. The BBC should not rely solely on quotas to do this. Network Commissioners should be based in Wales and, in doing so, build on relationships with local independent production companies. The corporation should also reconsider the merits of its ‘nations to network’ programme.*

Production of programmes

Roath Lock

92. In March 2012, the BBC opened the largest drama production centre in the UK in Roath Lock, Cardiff Bay. The studios house BBC drama productions including Doctor Who, Casualty and Pobol y Cwm. Basing the BBC’s Drama Village in Cardiff’s Roath Lock has been described as a significant development for the broadcasting ecology in

¹⁴⁷ Q201 Dylan Huws

¹⁴⁸ Q201 Nia Thomas

¹⁴⁹ Channel 4 ([BIW23](#)) p. 2

¹⁵⁰ Q191 Gareth Williams

¹⁵¹ Centre for Media and Culture in Small Nations, University of South Wales ([BIW07](#)) para.5.4

Wales.¹⁵² Dr Ruth McElroy told us it is a “game changer in putting Wales on the map as a place for high quality drama to be produced”.¹⁵³ In terms of production, the BBC said that the studios have established a “critical mass of craft talent” in Wales which “have helped fuel the development of Wales’ creative economy”.¹⁵⁴ This has contributed to a 52% increase in the number of people working in the creative industries between 2005 and 2014 to 47,700.¹⁵⁵ Research by the Centre for the Study of Media and Culture in Small Nations found that Roath Lock represents:

“[a] substantial investment in making Cardiff a national and internationally recognised base for excellent drama production...[and] as a vital resource for selling Wales within the growing international market for content production”.¹⁵⁶

93. Whilst witnesses acknowledged the economic contribution of basing drama production in Cardiff, this has not been matched with better portrayal on screen. Dr Ruth McElroy emphasised that “there is no direct correlation between the location of production and onscreen representation”.¹⁵⁷ Dyfrig Jones described the productions as “great programmes but they are not Welsh programmes”.¹⁵⁸ This balance between producing more programmes outside London and portraying the diversity of the UK on screen is something the BBC Cymru Wales Director acknowledged needs to be addressed:

“The challenge in this charter is to make sure that economic and creative story also delivers a cultural dividend and that we see Welsh stories, our stories, reflected on screen not just in Wales but right across the UK. The review that we are doing of network commissioning across the BBC is looking precisely at that challenge”.¹⁵⁹

94. The Institute of Welsh Affairs suggested that this could be addressed by moving commissioners to Cardiff, and basing them in Roath Lock.¹⁶⁰ This was also championed by some independent production companies.¹⁶¹ The BBC has not indicated if they are in favour of this suggestion. However, James Purnell acknowledged that the commissioning process could be simplified:

“putting in place a structure that would address some of those concerns about a simpler and more efficient form of commissioning to get quicker decisions and also to save money”.¹⁶²

95. Whilst we welcome the investment by BBC Wales in production in Wales and acknowledge its successful contribution to the broadcasting ecology and economy, it is unfortunate that during the same period Wales has seen a decline in its portrayal to the rest of the UK.

152 The Centre for the Study of Media and Culture in Small Nations, Dr Ruth McElroy and Dr Caitriona Noonan with Emeritus Professor Steve Blandford, [“Television Drama Production in Wales: BBC Wales, Roath Lock Studios”](#) 2015

153 Q282 Dr Ruth McElroy

154 BBC Cymru Wales (BIW09) p. 9

155 BBC Cymru Wales (BIW09) p. 9

156 Centre for Media and Culture in Small Nations, University of South Wales (BIW07)

157 Q282 Dr Ruth McElroy

158 Q106 Dyfrig Jones

159 Q325 Rhodri Talfan Davies

160 Q93 Hywel Wiliam

161 Q193 Gareth Williams, Q191 Nia Thomas

162 Q341 James Purnell

BBC Studios

96. In September 2015 the BBC published its plans for BBC Studios, a wholly-owned subsidiary of the BBC commercial arm, the BBC Group. The BBC currently operates a 50% in-house production guarantee. The proposal would abolish the guarantee, and open up about 80% of BBC programming to external competition.¹⁶³ The BBC and the Producers Alliance for Cinema and Television (PACT)¹⁶⁴ have agreed to support the maintenance of the statutory 25% independent production quota. The BBC also said it remained committed to sourcing programmes from outside London and across the UK nations.¹⁶⁵ It is proposed that all BBC Cymru Wales network production teams would become part of BBC Studios.

97. Rona Fairhead believed that the proposals would allow for greater competition and more opportunities for independent companies, due to the increase of out-of-house production.¹⁶⁶ James Purnell also told us this was a “genuine improvement”.¹⁶⁷

98. However, many of our witnesses said that these plans needed more careful consideration. Iestyn Garlick, TAC, told us he didn’t believe these proposals had been thought through by the BBC, “certainly in terms of Wales”.¹⁶⁸ The main concern expressed was whether small independent companies in Wales would be able to compete with some of the larger contracts. Dylan Huws, Cwmni Da, told us:

“You have BBC Studios, which is being established on the back of a huge corporation that has a huge amount of public money, a lot of infrastructure and a lot of expertise. Will they have to live off the work that they win, just as we have to do?”.¹⁶⁹

99. ITV have also raised concerns with the proposals. Foremost of these was the “risk that there is subsidy of one sort or another, explicit or implicit, between the public service and the commercial entity”. ITV described this as being “very troubling” and that currently “there is not enough detail”.¹⁷⁰

100. The proposals for BBC Studios require further scrutiny, particularly in terms of their impact on small independent companies. The independent sector is an essential feature of the broadcasting ecology in Wales and we are concerned that the proposals at present would favour larger production companies.

101. In finalising its BBC Studios proposals, the corporation should pay careful consideration of smaller independent production companies, similar to those in Wales, to ensure a level playing field for contract competition and commissioning opportunities. The plans should also be scrutinised carefully by any future regulator.

¹⁶³ Except for Sport, Children’s and Current Affairs.

¹⁶⁴ The UK trade association representing independent television, feature film, animation and new media

¹⁶⁵ BBC, [British, Bold Creative](#), September 2015, p. 18

¹⁶⁶ Q237 Rona Fairhead

¹⁶⁷ Q350 James Purnell

¹⁶⁸ Q202 Iestyn Garlick

¹⁶⁹ Q204 Dylan Huws

¹⁷⁰ Q392 Magnus Brooke

5 Broadcasting in the digital age

102. Ofcom's Public Service Broadcasting Review found that overall levels of television viewing have been falling across the UK. Within this, the main PSB channels still account for 50% of all viewing. While the level of television viewing by over 55s has remained fairly stable, there has been a significant decline in viewing among under 35s. 50% of 16 to 24 year olds' audio-visual consumption, and 61% of 25–34s' is through live television viewing of international and national TV news. This has fallen by almost 30% since 2008.¹⁷¹

103. Alongside this change in viewing habits has been a change in the platforms upon which television is viewed. Ofcom's Advisory Committee for Wales told us that there has been a 9% increase in Smart TV¹⁷² take-up in 2015 compared with the previous year.¹⁷³ However, whilst all UK sets provide access to the BBC iPlayer, "Sony smart TVs do not currently provide access to the ITV Player and All4, while Apple TV, does not include any UK PSB catch-up services".¹⁷⁴ Access to such platforms is currently managed by the manufacturers, and was described to us as "effectively unregulated".¹⁷⁵ This has resulted in some channels not featuring prominently on the TV set's electronic programming guide.¹⁷⁶

104. *We believe that the lack of visibility of PSB channels, including S4C, on Smart TVs could negatively affect how often they are accessed, if left unregulated in future. Given the importance of PSBs in Wales, this is a particularly acute issue. We recommend that the regulation of Smart TVs be reviewed, and that manufacturers ensure PSBs are given prominence on the Electronic Programme Guide.*

Commercial Radio

105. The local commercial radio sector offers some plurality of news and information, other than that provided by the BBC. However, most stations adopt music-led formats which provide notice-led bulletin news rather than the discursive approach heard on speech-led radio channels such as BBC Radio 4.¹⁷⁷ Local commercial radio revenue in Wales shrank by 2.9% to £14.9m in 2014. This was the only UK nation where revenues declined.¹⁷⁸ Adjusted for population size, revenues in Wales fell by 14p per head. At £4.84, Wales also has the lowest local commercial radio revenue per head of all the UK nations.

106. Ofcom is required by legislation to ensure that local commercial radio stations provide an appropriate amount of locally made programmes, and programmes including local material.¹⁷⁹ On the FM radio spectrum, for example, there is a requirement to provide 7 hours a day of "localness." Some commercial radio groups are eager to shed their

171 Ofcom, [Public Service Broadcasting in the Internet Age: The Nations of the UK and their regions](#), 2 July 2015

172 Smart televisions enable viewers to watch services delivered via broadband.

173 Ofcom Advisory Committee for Wales ([BIW08](#)) p. 5

174 Ofcom Advisory Committee for Wales ([BIW08](#)) p. 5

175 Ofcom Advisory Committee for Wales ([BIW08](#)) p. 5

176 Electronic programme guides (EPGs) are menu-based systems that provide users of television, radio and other media applications with continuously updated menus displaying broadcast programming or scheduling information for current and upcoming programming.

177 Institute of Welsh Affairs, [Media Audit 2015](#), November 2015

178 Institute of Welsh Affairs, [Media Audit 2015](#), November 2015

179 Section 314 of the Communications Act 2003 defines 'local material' as material which is of particular interest to those living or working within (or within part of) the area or locality for which the service is provided or to particular communities living or working within that area or locality (or a part of it).

remaining localness commitments, particularly when services switchover to the DAB spectrum.¹⁸⁰ Listening by digital radio has increased steadily, and according to Ofcom, 42% of all radio listening is now to digital services

107. In November 2015, the UK Government announced that it would examine how the licensing of commercial radio might be further deregulated, with a view to developing options for changes to the legislative framework in 2016.¹⁸¹ In response, Sharon White, Chief Executive, Ofcom, wrote to DCMS stating that there could be a “case for removing the requirements for most forms of local content”. However, she stressed that it is likely “that complete deregulation would result in at least some local stations deciding not to provide local news”. The letter also referred to locally produced programming, and Ofcom’s analysis found that removing this requirement “may cause concern amongst some stakeholders in parts of the UK, particularly in Scotland, Wales and Northern Ireland”.¹⁸² It was recommended, therefore, that Government would find it “preferable to retain a requirement on all local stations to provide a minimum amount of local news” and to consider the differing local programming issues in different areas of the UK and in doing so, retaining “some level of regulation of the place of production to reflect this”.¹⁸³

108. Glyn Mathias, Ofcom’s Advisory Committee for Wales, told us that removing the local requirement could be particularly damaging in Wales. This was because “commercial radio does add a certain amount of plurality in the system...there is a serious risk that not only local news in Wales but Welsh news in Wales will be lost”.¹⁸⁴ Dr Ruth McElroy, University South Wales described this as a “huge area of concern, given how important radio is as one of the vehicles for delivering news content and for us having that sense of being part of Welsh civil society”.¹⁸⁵ We questioned the Minister for Culture, who was only able to inform us that that the Ofcom consultation “does start a debate about how we can potentially relax some of these regulations”.¹⁸⁶

109. *We urge the Government to consider the unique state of media plurality in Wales during any further consultation process into commercial radio deregulation. In doing so, we recommend the Government not to deregulate commercial radio stations on DAB. Removing the localness requirement will further weaken media plurality in Wales.*

S4C and digital access

110. In August 2013, the BBC and S4C announced that S4C content would be hosted on the BBC iPlayer from Autumn 2014. Since December 2014, total online viewing of S4C content across all platforms has increased by 30% to 5.7 million viewing sessions. This has included a 10% increase in the number of people viewing platforms on which S4C is

180 Ofcom, [Localness Guidelines](#)

181 [Letter dated 4 November 2016](#), from Edward Vaizey MP, Minister of State for Culture and the Digital Economy, to Siobhan Kenny, Chief Executive, Radio Centre

182 [Letter dated 23rd February 2016](#) from Sharon White, Chief Executive, Ofcom, to Edward Vaizey MP, Minister of State for Culture and the Digital Economy

183 [Letter dated 23rd February 2016](#) from Sharon White, Chief Executive, Ofcom, to Edward Vaizey MP, Minister of State for Culture and the Digital Economy

184 Q169 Glyn Mathias

185 Q269 Dr Ruth McElroy

186 Q376 Ed Vaizey MP

available outside Wales. The Audience Council Wales, in its *Wales Annual Review 2014-15*, stated that this has “paid dividends in terms of serving Welsh audiences...demonstrating the positive partnership between S4C and the BBC”.¹⁸⁷

111. Whilst this has been a positive development, the same cannot be said for S4C’s provision of high-definition content. As part of, S4C’s recent efficiency measures, the channel discontinued its HD service. Many of our witnesses told us this leaves the channel at a significant disadvantage. The Welsh Language Commissioner told us that “there is need for investment [so that the channel] remain contemporary”.¹⁸⁸ Nia Thomas, Boom Cymru, told us that “S4C is facing a huge problem in that they cannot invest in future technologies”.¹⁸⁹ Similarly, Gareth Williams, Rondo Media, said the lack of HD “reflects poorly on S4C and also on BBC Two Wales...You notice the difference in the quality of the picture”.¹⁹⁰ We therefore commend the channel’s decision to reintroduce its HD service in June 2016.¹⁹¹

112. Some witnesses have argued that the way in which S4C’s remit is defined in legislation limits its ability to expand onto other mediums.¹⁹² It was described as “anachronistic” by Aled Eirug, Ofcom Advisory Committee for Wales.¹⁹³ Furthermore, Dyfrig Jones, Bangor University, told us:

“To a certain degree [the legislation] has limited what S4C can do. It has never come under legal challenge but I think S4C has always been careful about not overreaching, not going beyond what they are legally entitled to do”.¹⁹⁴

113. Ian Jones, Chief Executive, S4C told us that the channel’s remit “needs to be looked at”. He added:

“digital is not in our remit, which quite frankly is ridiculous in this day and age...Channel 4 and the BBC have wider commercial powers than us...I don’t think it is fit for purpose for today and tomorrow”.¹⁹⁵

114. A final element in relation to S4C’s digital provision concerns the content they receive from the BBC. As previously noted, BBC Cymru Wales is required by statute to provide 520 hours of programmes to S4C every year. Rhodri Talfan Davies told us this could be reconsidered due to the alternative methods of providing content that are now available:

“we should look at the BBC’s creative contribution to S4C...It is interesting at the moment the 520 [hours], that contribution is rigidly broadcast, so if S4C want us to deliver interactive content that has to be done outside the agreement...The question of whether we need a more flexible arrangement in future is probably one to look at”.¹⁹⁶

187 BBC Trust, [Wales Annual Review 2014-15](#), July 2015

188 Q7 Meri Huws

189 Q193 Nia Thomas

190 Q208 Gareth Williams

191 S4C, [S4C HD: Great content in High Definition](#), 20 May 2016

192 S4C was originally established under the [Broadcasting Act 1981](#) as a public service broadcaster. Its main function was to provide Welsh language television programmes. It was subsequently constituted as a statutory corporation under the [Broadcasting Act 1990](#). Its main purpose remit as a ‘television channel’ remains.

193 Q178 Aled Eirug

194 Q115 Dyfrig Jones

195 Q259 Ian Jones

196 Q350 Rhodri Talfan Davies

115. *S4C's remit in statute as a "television service" has become outdated, and the statutory obligation for the BBC to provide S4C with 520 hours of programmes is too rigid. Therefore, we recommend that S4C's current statutory remit be reworded to take into account its digital offering and the changing context in which the channel operates. The Government's review into the channel should also consider amending the statutory obligation placed upon the BBC defined as broadcast hours only, while still safeguarding the budgetary value of the BBC's contribution to S4C. This should be made more flexible to take into account the multi-platform context within which both channels operate.*

Conclusions and recommendations

S4C's grant funding from the Department for Culture, Media and Sport

1. We commend S4C for the efficiency savings they have made since 2011. These are particularly helpful at a time when every public sector body has been asked to contribute to a reduction in spending. We feel it is inevitable that the spending reductions that have taken place will have had an impact on the quality of Welsh language broadcasting and the number of repeats are evidence of this. Given the reduction of the level of overhead expenditure, and the channel's increased reliance on repeats at present, we are concerned that further drastic efficiency savings, as proposed in the November 2015 Spending Review, could seriously impact the channel's quality of output. (Paragraph 20)
2. Since S4C's creation, a vibrant independent production sector has evolved. We welcome the key contribution this sector makes to the economy of Wales, adding value to the investments that the channel makes through commissions. With that in mind, we recommend that the impact of the efficiency savings that S4C have made should be monitored. This should in particular focus on the independent production sector, which is largely reliant on the channel. (Paragraph 24)
3. We acknowledge S4C's unique role as the only Welsh language channel in the world. Furthermore, we appreciate how important it is to be able to hear the Welsh language on TV. In light of this, we urge the Government to acknowledge S4C's value as a bastion of Welsh language, life and culture, and we believe any consideration of its funding should be considered within this particular context. (Paragraph 26)

Independent review

4. We welcome the Government's decision to cancel the first year of grant cuts, and to undertake a review of the channel's full remit and scope. It is only in the review that the wider contribution of S4C, and the issues raised during our inquiry, can be suitably and independently assessed. This also highlights the value of cross-party scrutiny, and we are glad that the Government has listened closely to our concerns. (Paragraph 31)
5. *The remit of the independent review should include the power to consider whether present and future funding arrangements with the BBC are fit for purpose in terms of the quality of S4C's output and the channel's independence, and to make recommendations. The review should be able to recommend an increase in funding if the previous budgets are assessed to be insufficient for purpose, and to specify the level of funding required.* (Paragraph 32)
6. *The financial uncertainty faced by S4C over recent months was not a healthy and suitable way for the channel to conduct long-term editorial planning decisions and fulfil its public service remit. We recommend that the Government conducts an impact assessment of any further grant cuts to S4C as part of its review.* (Paragraph 33)

7. *Any future funding agreement should be determined through a transparent process which takes into account all stakeholders impacted by the channel, the independent production sector included. The channel should not be left in any position of financial uncertainty which adversely affect the quality of its services. (Paragraph 34)*
8. *S4C should be reviewed on a regular and consistent basis. This would allow for specific consideration of its changing needs, in the face of developing audiences and technological advancement, and the resources needed by the channel to fulfil its remit. We recommend it is reviewed every 5 years. (Paragraph 35)*

BBC

9. Lord Hall, Director-General, BBC, has acknowledged for some time that BBC Wales' non-news output in English had eroded. Despite this, we do not believe that the BBC's suggested allocation of resources to Wales helps to redress this degradation. Their initial proposal to reduce funding to the nations and regions less than elsewhere did not take into account the decline in funding for BBC Wales' English language provision since 2006/07. (Paragraph 42)
10. *In any allocation of funding we believe the specific circumstances facing public service broadcasters in Wales should be taken into account. In the face of weak media plurality, the BBC has a greater role to play in Wales. Therefore, the decline in funding has also been greater than in other parts of the UK. As such, we recommend that the BBC allocates investment from its current Budget for English language programming in Wales closer to the levels seen in 2006/07. (Paragraph 43)*
11. *Therefore, the corporation's most recent proposals, firstly, to spend proportionately more on dedicated services in each of the nations within the overall BBC budget, and secondly, to specifically spend more on English-language television programming in Wales, is to be welcomed. However the detail of these proposals that has been provided so far is scant. We require further clarification on the means by which the BBC plans to increase spend on English language programming in Wales and the extent of this increase. We request that this information be provided to the Committee in response to this report. (Paragraph 44)*

Governance and Regulation

12. The evidence we received clearly points to a weak structure and a distinct lack of clarity as to where responsibilities lie when it comes to BBC governance under the existing Charter. It is also clear in the evidence that the role of the National Trustee for Wales is particularly important. This role ensures the governance of the BBC is not overly centralised, that the Welsh voice is sufficiently heard, as well as ensuring appropriate and forensic scrutiny of BBC Cymru Wales. (Paragraph 57)
13. *We support the recommendation that the BBC should be externally regulated, in order to allow for better transparency and clarity of decision-making. It is right that the BBC Trust is replaced with a unitary board with an independent chairman and a majority of non-Executive Directors. We stress the essential role of a director for each of the nations and strongly recommend that this continues into the next Charter. We further recommend that Wales' nation director reports to and seeks advice from a delegated*

sub-committee of the unitary board to ensure a plurality of voices on matters related to the BBC's services in Wales. The membership of the Wales sub-committee will be appointed by the relevant Secretary of State, following appropriate discussions with the National Assembly for Wales. (Paragraph 58)

Service licences

14. *We recommend that a National Service Licence be introduced for Wales, which will allow for greater flexibility and accountability for the BBC in Wales. This will ensure the Director of BBC Cymru Wales can better control investment in services in Wales. In addition, in the face of changing technologies, it will enable for an integrated perspective of the service best suited for Welsh audiences to be taken. This will also ensure greater accountability for BBC Cymru Wales management, allowing for clear performance measurements, specific to Wales. In response to this report, we also seek further clarification on the BBC's most recent licencing proposals. It is unclear what form these would take and their particular impact upon Wales. (Paragraph 64)*

Operating agreement between the BBC and S4C

15. *We were told that the Operating Agreement between the current BBC Trust and S4C Authority is one that works well. However, in the face of a changing model of governance, it is essential that S4C's operational and editorial independence is maintained. (Paragraph 70)*
16. *We are confident that S4C has introduced the necessary improvements within its governance structures following our predecessor Committee's report into the channel, and that it is in a much stronger position during this current licence fee settlement, than in 2010. (Paragraph 71)*

Ofcom

17. *We welcome the provisions made in the draft Wales Bill to require a Welsh Minister to appoint one executive member of Ofcom and for Ofcom to lay its annual report before the National Assembly. We recommend that these provisions be included in the final Bill. (Paragraph 75)*

Portrayal of Wales to Wales

18. *It is worrying that specific media provision for Welsh audiences is in decline. One result of this is insufficient scrutiny of decisions affecting Wales, made by the Welsh and UK Governments. This paucity of information may also contribute to an ill-informed population. Moreover, given the high value that Welsh audiences place on seeing themselves and Welsh life on screen, the current service and any prospect of further decline, particularly in non-news programming, is concerning. (Paragraph 80)*

Portrayal of Wales to the rest of the UK

19. It is disappointing that the BBC's introduction of production quotas for out-of-London has not resulted in an improvement in the portrayal of Wales on network television. We therefore welcome the BBC Trust's suggestion to strengthen the BBC's public purposes in the next Charter to include portrayal and to make explicit the duty of the BBC to reflect the whole of the UK in its services. Whilst we welcome the most recent proposals to have a drama commissioning editor responsible for each nation, these should be based in the nations themselves, and should also extend to other non-news genres. (Paragraph 90)
20. *The BBC's commissioning process needs urgent improvement. The BBC should not rely solely on quotas to do this. Network Commissioners should be based in Wales and, in doing so, build on relationships with local independent production companies. The corporation should also reconsider the merits of its 'nations to network' programme.* (Paragraph 91)
21. Whilst we welcome the investment by BBC Wales in production in Wales and acknowledge its successful contribution to the broadcasting ecology and economy, it is unfortunate that during the same period Wales has seen a decline in its portrayal to the rest of the UK. (Paragraph 95)

BBC Studios

22. The proposals for BBC Studios require further scrutiny, particularly in terms of their impact on small independent companies. The independent sector is an essential feature of the broadcasting ecology in Wales and we are concerned that the proposals at present would favour larger production companies. (Paragraph 100)
23. *In finalising its BBC Studios proposals, the corporation should pay careful consideration of smaller independent production companies, similar to those in Wales, to ensure a level playing field for contract competition and commissioning opportunities. The plans should also be scrutinised carefully by any future regulator.* (Paragraph 101)

Broadcasting in the digital age

24. *We believe that the lack of visibility of PSB channels, including S4C, on Smart TVs could negatively affect how often they are accessed, if left unregulated in future. Given the importance of PSBs in Wales, this is a particularly acute issue. We recommend that the regulation of Smart TVs be reviewed, and that manufacturers ensure PSBs are given prominence on the Electronic Programme Guide.* (Paragraph 104)

Commercial radio

25. *We urge the Government to consider the unique state of media plurality in Wales during any further consultation process into commercial radio deregulation. In doing so, we recommend the Government not to deregulate commercial radio stations on DAB. Removing the localness requirement will further weaken media plurality in Wales.* (Paragraph 109)

S4C and digital access

26. *S4C's remit in statute as a "television service" has become outdated, and the statutory obligation for the BBC to provide S4C with 520 hours of programmes is too rigid. Therefore, we recommend that S4C's current statutory remit be reworded to take into account its digital offering and the changing context in which the channel operates. The Government's review into the channel should also consider amending the statutory obligation placed upon the BBC defined as broadcast hours only, while still safeguarding the budgetary value of the BBC's contribution to S4C. This should be made more flexible to take into account the multi-platform context within which both channels operate. (Paragraph 115)*

Formal Minutes

Monday 13 June 2016

Members present:

David T.C. Davies, in the Chair

Byron Davies

Craig Williams

Draft Report (*Broadcasting in Wales*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 115 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 4 July at 3.40 pm.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 7 December 2015

Question number

Meri Huws, Welsh Language Commissioner, and **Ania Rolewska**, Policy and Research Officer, Welsh Language Commission [Q1–20](#)

Greg Bevan and **Colin Nosworthy**, Cymdeithas yr Iaith Gymraeg [Q21–45](#)

Monday 14 December 2015

Rhodri Williams, Director, Ofcom Wales, and **Peter Davies**, Director of Content Policy, Ofcom [Q46–68](#)

Angela Graham, Chair, Media Policy Group and **Hywel Wiliam**, Member, Media Policy Group, Institute of Welsh Affairs [Q69–100](#)

Sian Powell, Lecturer, School of Journalism, Media and Cultural Studies, Cardiff University, and **Dyfrig Jones**, Lecturer, School of Creative Studies and Media, Bangor University [Q101–122](#)

Monday 11 January 2016

Professor Tom O'Malley, Emeritus Professor of Media Studies, Aberystwyth University [Q123–162](#)

Glyn Mathias and **Aled Eirug**, Ofcom Advisory Board for Wales [Q163–185](#)

Monday 18 January 2016

Iestyn Garlick, Chair of Teledwyr Annibynnol Cymru (Welsh Independent Producers) and Antena Productions, **Gareth Williams**, Rondo Media, **Dylan Huws**, Cwmni Da, and **Nia Thomas**, Boom Cymru [Q186–209](#)

Monday 1 February 2016

Rona Fairhead, Chair, and **Elan Closs Stephens**, Trustee for Wales, BBC Trust [Q210–242](#)

Ian Jones, Chief Executive, S4C, and **Huw Jones**, Chairman, S4C Authority [Q243–263](#)

Dr Ruth McElroy, Centre for Media and Culture in Small Nations, University of South Wales [Q264–287](#)

Monday 8 February 2016

Martin Shipton, Chief Reporter, Western Mail, and **Alan Edmonds**, Editor-in-Chief, Media Wales and Western Mail [Q288–323](#)

Monday 22 February 2016

James Purnell, Director of Digital and Strategy, BBC, and **Rhodri Talfan Davies**, Director, BBC Cymru Wales

[Q324–355](#)

Wednesday 24 February 2016

Mr Edward Vaizey MP, Minister for Culture and Digital Economy, Department of Culture, Media and Sport, and **Alun Cairns MP**, Parliamentary Under-Secretary of State, Wales Office

[Q356–379](#)

Monday 29 February 2016

Phil Henfrey, Head of News & Programmes and **Huw Rossiter**, Public Affairs Manager, ITV Cymru Wales, and **Magnus Brooke**, Director of Policy & Regulatory Affairs, ITV plc

[Q380–398](#)

Professor Laura McAllister, Chair, and **Sarah Powell**, Chief Executive Officer, Sport Wales

[Q399–412](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

BIW numbers are generated by the evidence processing system and so may not be complete.

- 1 Arts Council of Wales ([BIW0019](#))
- 2 BBC Cymru Wales ([BIW0009](#))
- 3 BBC Trust ([BIW0011](#))
- 4 Channel 4 ([BIW0023](#))
- 5 Comisiynydd Y Gymraeg ([BIW0004](#))
- 6 Creative Skillset Cymru ([BIW0016](#))
- 7 Dame Rosemary Butler ([BIW0010](#))
- 8 Grwp Digidol, Cymdeithas Yr Iaith Gymraeg ([BIW0014](#))
- 9 ITV Cymru Wales ([BIW0015](#))
- 10 IWA ([BIW0017](#))
- 11 Jacqueline Comben ([BIW0024](#))
- 12 Mr Bob Gaffey ([BIW0002](#))
- 13 Ofcom ([BIW0008](#))
- 14 Ofcom Cymru ([BIW0018](#))
- 15 Pact ([BIW0013](#))
- 16 Radiocentre ([BIW0028](#))
- 17 Rebecca Television ([BIW0006](#))
- 18 Robert Evans ([BIW0026](#))
- 19 S4C ([BIW0020](#))
- 20 Sion Jobbins ([BIW0001](#))
- 21 Tac ([BIW0022](#))
- 22 Teledwyr Annibynnol Cymru ([BIW0027](#))
- 23 The Learned Society of Wales ([BIW0003](#))
- 24 UK Minifootball Association ([BIW0021](#))
- 25 University of South Wales ([BIW0007](#))
- 26 Western Mail ([BIW0025](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2015–16

First Report	Pre-legislative scrutiny of the draft Wales Bill	HC 449
First Special Report	Prisons in Wales and the treatment of Welsh offenders: Government Response to the Committee's Fourth Report of Session 2014–15	HC 424

Session 2016–17

First Special Report	Pre-legislative scrutiny of the draft Wales Bill: Government Response to the Committee's First Report of Session 2015–16	HC 280
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