



Broadcasting Committee

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S4C's memorandum to the National Assembly Broadcasting Committee Inquiry into Public Service Broadcasting and the Impact of Digital Switchover

May 2008

1. Introduction

- 1.1 S4C is a public service broadcaster (PSB) providing a range of high quality Welsh language programmes on television and online.
- 1.2 S4C is a statutory authority established by an Act of Parliament in 1981. Its remit on analogue is: a broad range of high quality and diverse programming, in which a substantial proportion of the programmes consist of programmes in Welsh; and, programmes broadcast for viewing between 18.30 and 22:00 every day of the week consist mainly of programmes in Welsh; and, the programmes that are not in Welsh are normally programmes which are being have been or are to be broadcast on Channel 4.¹
- 1.3 On S4C digidol the remit is: a broad range of high quality and diverse programming in a service in which a substantial proportion of programmes consist of programmes in Welsh.²
- 1.4 The S4C Authority is an independent body which is responsible for the provision of Welsh language television programme services. The Authority is accountable for S4C's output and oversees the management of S4C and operates at arm's length from the executive. It is the responsibility of S4C's Chief Executive and her staff to manage and maintain S4C on a day to day basis. These responsibilities are detailed in 'Key Roles of S4C Authority and the S4C Board.'³
- 1.5 The Communications Act 2003 places an obligation on the Authority to:
 - Prepare an Annual Report and Statement of Accounts which are laid before Parliament.
 - Publish an annual Statement of Programme Policy and a Review of Programme Policy.
 - Ensure that its public services comply with the Ofcom Broadcasting Code.
 - Prepare Terms of Trade and a Code of Practice in relation to the commissioning of independent productions.
 - Meet targets approved by Ofcom with regard to production and broadcast quotas and access services, for example, subtitling and audio description.
 - Ascertain public opinion regarding programmes broadcast on S4C and the types of programmes that members of the public would like to be broadcast on S4C.

Figure 1 details services offered by S4C at present.

1 CA03 sch12 p.2

2 CA03 sch12. p.2

3 http://www.s4c.co.uk/abouts4c/authority/pdf/rol_awdurdod.pdf

Figure 1 - Services currently provided by S4C

Name of service	Nature of Service	Platform	Access and Footprint
S4C	<p>At least 37 hours of Welsh-language programming per week.</p> <p>Mostly Welsh programmes during peak hours.</p> <p>Channel 4 programmes at other times.</p>	Analogue	4 in Wales
S4C digidol	<p>At least 80 hours of Welsh language programming per week.</p> <p>(From 23 June 2008 programming will be extended to include a pre-school service from 07:00 – 13:30)</p>	<p>Digital Terrestrial (Freeview including red button and interactive services)</p> <p>Digital Satellite (including red button and interactive services)</p> <p>Digital Cable</p> <p>Freesat</p>	<p>4 in Wales</p> <p>104 in Wales and 134 in the remainder of the UK</p> <p>194 in Wales</p> <p>104 in Wales and 120 in the remainder of the UK</p>
www.s4c.co.uk/watch	<p>Welsh language programming has been available to watch since February 2006.</p> <p>Simultaneous webcast of the S4C digidol service.</p> <p>35 day window for viewing on demand.</p> <p>Additional streaming of major Welsh events.</p>	Online	<p>UK (apart from where restricted by rights).</p> <p>Worldwide (apart from where restricted by rights).</p>
Freewire	Streaming of S4C digidol through agreement with INUK.	IPTV	Available on the Freewire service for University campuses throughout the UK.

Name of service	Nature of Service	Platform	Access and Footprint
www.s4c.co.uk	<p>Sport, music, drama, factual, live events and entertainment sites.</p> <p>Access to archive.</p> <p>Schedule details.</p> <p>Corporate information.</p>	Online	Available worldwide
www.learnons4c.co.uk	Dedicated service for Welsh learners using S4C programmes as a learning tool.	Online	Available worldwide
Ffermio.tv bandit247.com uned5.co.uk (examples)	Many additional websites created by independent companies above television programme requirements.	Online	Available worldwide
S4C2	<p>Welsh Assembly Coverage 09:00-18:00 Tuesday-Thursday. Additional coverage of national events.</p> <p>S4C2 is funded from S4C Commercial revenues and is a partnership with the BBC.</p>	<p>Digital Satellite</p> <p>Digital Terrestrial Service</p> <p>Digital Cable</p> <p>Freesat</p>	<p>507 throughout UK</p> <p>86 in Wales</p> <p>195 in Wales</p> <p>202 throughout UK</p>
www.s4c.co.uk/production	Comprehensive information resource for the production sector.	Online	Available worldwide

2. Context for Change

- 2.1 Like all broadcasters S4C is seeing the convergence of technologies and a significant change in the way entertainment and information is now created and consumed. 92% of individuals in Wales (89% in the UK) now receive digital television.⁴ Internet and broadband take-up rates among adults in Wales are now well below UK levels. 55% have an internet connection at home in Wales (65% UK) and 45% have broadband (57% UK).⁵
- 2.2 S4C is evolving to meet the demands of a converging and multi-platform world. Audience needs are changing and it must respond to that. The challenge is to combine high quality content born of creative excellence with new distribution methods to sustain the impact and reach of our public services.
- 2.3 Digital switchover, changing patterns of media consumption, the emergence of new and additional platforms as well as changing language patterns in Wales have together created a new context. S4C's 2004 Creative Excellence Strategy⁶ was published to address this new context and sought to pre-empt the challenges of digital switchover. Annual Statements of Programme Policy and a Corporate Plan are published which incorporate specific aims and targets to be met every year.
- 2.4 The completion of digital switchover in Wales in 2009-2010 will be a major milestone for S4C. At this time the English language Channel 4 programmes currently shown outside of the peak hours on the analogue service will no longer be available and there will be a single Welsh language channel, S4C digidol.

3. Content and Supply Strategy

- 3.1 S4C content is commissioned in line with the Creative Excellence Strategy which states that "S4C digidol aims to provide a programme service of exceptional quality in partnership with producers dedicated to achieving creative excellence."
- 3.2 The Strategy therefore required a new relationship with the production sector and the BBC.
- 3.3 The principles of the new relationship are rooted in the 2004 Codes of Practice (as approved by Ofcom) and the S4C/BBC Strategic Partnership.

In response to the requirements of the Communications Act 2003, S4C reviewed the basis on which it commissioned content and published new Codes of Practice which were approved by Ofcom. The Codes reflected the transfer in responsibilities from S4C to the independent sector and S4C's continued support in empowering the production sector in the new rights environment.

The new S4C/BBC Strategic Partnership strengthens the Welsh language provision to S4C, and for the first time, BBC Wales-produced programmes will be made available on S4C's broadband and on-demand services.

- 3.4 A review of the investment in content development concluded that a substantial number of small value contracts was awarded to companies that were finding themselves in difficulty when their ideas were not commissioned. Rather than offer contracts on a piecemeal basis, production companies were invited through an open tender to apply for funding to contribute towards the cost of a development framework.

⁴ Source: BARB

⁵ Source: Ofcom – The Communications Market Report: Nations and Regions, Wales, May 2008

⁶ See <http://www.s4c.co.uk/production/downloads/guidelines/prog-strat.pdf>

- 3.5 This focused approach to development has seen a dramatic decrease in the number and scale of project write offs. It has also provided a more stable production environment to develop talent, skills and ideas.
- 3.6 In accordance with the 2007 Corporate Plan, S4C conducted a review of the content production supply chain revisiting the principles of S4C's commissioning and business relationship with the independent sector, to ensure that its policies are fit for purpose, so as to meet the demands for servicing S4C in future.
- 3.7 The production facility on www.s4c.co.uk/production, offers a comprehensive information service to the whole of the production community. The facility is the means by which new ideas are offered, and by which all invitation to tenders are published. It also ensures that information about S4C's services, and the terms on which content is commissioned, are available to all.
- 3.8 Ofcom notes that people appreciate plural supply, particularly in news and current affairs provision. Its review goes on to say that, "...the majority regarded plurality as important in most areas of programming."⁷
- 3.9 Plurality in public service broadcasting in Wales has different, additional characteristics. S4C is an exercise in plurality where language provides a means of affirming the importance of representing the society in which we live. It also provides linguistic plurality across all programme genres with those programmes being made available to Welsh and English speakers alike through our subtitling and access services. S4C sources its current affairs programmes from both the BBC and ITV Wales and there is plurality of supply in the majority of programme genres on S4C.
- 3.10 Ofcom recognises that despite sometimes exceeding out of London production quotas, PSBs, "...have not delivered significant levels of production from outside England."⁸ While this may be true for the English regions and other nations, through S4C's direct investment into the independent production sector, Wales is in a more favourable position than most other regions to exploit both domestic UK and international markets.

4. Talent Development

- 4.1 Talent retention and development will be key to S4C's success going forward as well as for the future prospects of the creative industries more widely. S4C believes that as a public service broadcaster it should be proactive in this field.
- 4.2 S4C works with the sector to promote training and development of staff in production companies, freelancers and new entrants. S4C expects production companies to present a training programme as a condition of each commission and offers a service to co ordinate the financial contributions made by the sector to training provision. S4C also offers scholarships in the fields of sport, music performance and journalism and supports other forms of talent development.

⁷ Ofcom PSB2 p.34, par 3.38

⁸ Ofcom PSB2 p.112, par 9.11

- 4.3 S4C has been instrumental in the establishment of the Skillset Cymru Training Framework which was launched earlier this year. This is a unique partnership with Skillset Cymru and other sector bodies, TAC, PACT and the Welsh Assembly Government, and offers a more strategic approach to identifying training needs, collating data and intelligence from the sector in Wales for the first time, and using it to inform investment in training provision and to develop skills. S4C's investment will pay dividends not just to itself but should also better equip production companies in Wales to compete in other markets.

5. S4C's Economic Impact

- 5.1 An independent report published in October 2007⁹ showed that while directly employing 177 staff, S4C's activities generate more than 2,250 full time jobs in Wales. The majority of these are in the high-skill, technology-intensive independent production sector, a key growth area for the National Assembly.
- 5.2 The report, undertaken by DTZ with the assistance of Cardiff University's Welsh Economy Research Unit describes S4C as "an extremely lean organisation" and shows how S4C's policies and purchasing decisions impact on the Welsh creative industries, helping reduce the performance gap between the Welsh and UK economies.
- 5.3 Since the publication of the Economic Impact Report there has been a further reduction in the number of staff employed by S4C. A programme of reform since 2006 has included the introduction of a new internal structure and the outsourcing of production activity. At 1 January 2008 total employment (FTE) stood at 159.

6. Viewing and Usage Patterns

- 6.1 The Creative Excellence Strategy has seen a turnaround in S4C's fortunes, but while the overall picture shows an increase in the use of its services, the linguistic dynamic in Wales continues to change.
- 6.2 S4C has successfully changed gear to win back the traditional audience and is evolving to ensure its services are attractive and relevant to other segments of the audience. Television will be the mainstay of the proposition for some time but the multi-platform strategy, which includes live streaming of S4C and viewing on demand, (details below, see section 8,) is proving increasingly popular.
- 6.3 S4C's regular image tracking research shows a high appreciation of the channel among Welsh speakers and non-Welsh speakers.
- 6.4 However, at DSO S4C will not be immune from the same pressures that all PSBs will face. Policies such as for multi platform have been adopted to ameliorate the effects of switchover, but any assessment of what is possible will have to be realistic and the strategy and investment will need to be adjusted accordingly.
- 6.5 Making services accessible to as many people as possible is central to S4C's public service remit. English subtitles are provided on at least 80% of all Welsh hours on analogue television. On S4C digidol English subtitles are provided on more than 70% of the service.

⁹The full report can be found at www.s4c.co.uk/abouts4c/corporate/e_econrep.shtml

- 6.6 Welsh learners are an important segment of the audience. S4C is committed to helping people to learn and improve their Welsh. The website learnonns4c.co.uk gives additional and extended information on many of the Channel's programmes and provides interactive language learning materials.

7. Children's Services

- 7.1 From its inception S4C has provided children's programming. In 1982 this stood at two and a half hours per week. The provision has been expanded to include programmes at lunchtimes and in the afternoon. In 2005 additional hours of programming were provided during the peak hours. The existing school holiday provision was extended with additional hours offered during the Christmas period.
- 7.2 A public consultation by the S4C Authority (Children in the digital future)¹⁰ concluded that dedicated Welsh language services for children and young people is required. The first phase of this new strategy, for nursery age children, goes on air on 23 June. Programming will be broadcast every weekday morning from 07:00 – 13:30 on S4C's digital channel, S4C digidol. The new service is called 'Cyw' and is the first phase of the children's strategy. Work continues to expand our provision for the 7-11 and the 12+ age groups.
- 7.3 Ofcom has stated that, "...traditional commercial public service broadcasters are facing significant pressures on their ability to fund original programming for children."¹¹ Further, it says, "...there is some scope for S4C to play a broader role in helping to facilitate the wider exploitation of Welsh-language originated content for a broader English-speaking children's audience."¹²
- 7.4 S4C and its partners in the independent sector have an international reputation for children's programming. The opportunities presented to S4C in Ofcom's consultation are a product of the repositioning of its services and a recognition of the sector's track record.

8. Broadcast and Distribution Strategy

- 8.1 Ofcom's Review states that consumers and citizens are turning to interactive media to fulfil the needs historically served by public service television broadcasting and asks, "How best can interactive media enhance the value of existing public service output to enhance reach and output?"¹³
- 8.2 Ofcom asks, "Can the value of existing broadcast public service programming be enhanced by making current and archive content available on demand...?"¹⁴
- 8.3 S4C has recognised the changes in consumption patterns and has a multi-platform strategy. Since February 2006 S4C has offered a 35 day 'window to view' for programmes through broadband. This compares very favourably with similar provision provided by other broadcasters. Last year S4C extended its provision to offer live streaming of its digital service, S4C digidol, on broadband. Its websites are increasingly popular and there is an extensive library of recorded programmes available.¹⁵ Dependent on rights, S4C is now available worldwide through the web.

¹⁰ www.s4c.co.uk/plant/e_background.shtml

¹¹ Ofcom – The future of children's television programming. 3 October 2007. (Discussion paper.)

¹² Ofcom PSB2 p. 134, par 10.46

¹³ Ofcom PSB2, Foreword

¹⁴ Ofcom PSB2 p. 7, par 1.23

¹⁵ See www.s4c.co.uk/watch

- 8.4 S4C has an agreement with Inuk Networks, a supplier of triple-play services to consumers, to include S4C digidol within its Internet Protocol Freewire TV service.
- 8.5 How will we recognise success in the multi-platform world? At present there is no single, standard measure across the industry by which we can measure the impact and reach of our services across all platforms. Established means of audience measurement for television viewing do not reflect the increase in use and reach of Welsh language content in the on-line environment.
- 8.6 The dual principles of due prominence and discoverability for public service media content are well established. To date S4C digidol has been given due prominence on electronic programme guides (EPG). But in the digital age it will need to identify new means of making existing as well as different kinds of public service content accessible.
- 8.7 Digital Terrestrial Television (DTT) is the cornerstone of S4C's multi-platform strategy. The Channel is glad that Ofcom has recently restated its aim that all current PSB channels, including S4C, should be accommodated on universal coverage multiplexes.¹⁶ However, it is critical that S4C digidol is universally available at the commencement of the DSO process in Wales. Without such an assurance there is a danger that certain areas that have switched over to DTT may lose the S4C service for an undefined period of time.
- 8.8 S4C has responded to Ofcom's consultation on HD/The future of Digital Terrestrial Television.

9. Funding

- 9.1 S4C's funding is derived from a number of sources:
- A statutory funding formula. This minimises any exposure to market fluctuation allowing forward planning. This in turn offers stability to suppliers through the awarding of longer term contracts which allows creativity and innovation to thrive.
 - A contribution from the BBC licence fee. This takes the form of programmes and services and is funded as a product of the licence fee. This arrangement has been incorporated within the Strategic Partnership agreed as part of the Charter Renewal process. It is worth remembering that the BBC broadcast Welsh language programmes with money from the licence fee before the inception of S4C.
 - Commercial income from advertising revenues, programme sales and other commercial ventures. S4C has managed the decline in some aspects of this stream of income.
- 9.2 This combination of funding works, is easily understood. It is consistent with all four of Ofcom's broad approaches to the future of Public Service Broadcasting.

¹⁶ Ofcom: Digital Television: Enabling New Services. Facilitating efficiency on DTT, April 2008.
<http://www.ofcom.org.uk/consult/condocs/dttfuture/statement/statement.pdf>