

Communities, Equality and Local Government Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date:

Thursday, 27 March 2014

Meeting time:

08.50

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Agenda

Private pre-meeting (8:50–9:00)

1 Introductions, apologies and substitutions

2 The future outlook for the media in Wales: follow-up session with S4C (9:00–10:00)

Huw Jones, Chairman

Ian Jones, Chief Executive

3 The future outlook for the media in Wales: follow-up session with ITV Wales (10:00–11:00) (Pages 1 – 5)

Phil Henfrey, Head of News and Programmes

Huw Rossiter, Public Affairs Manager

Break (11:00–11:15)

4 The future outlook for the media in Wales: follow-up session with Ofcom (11:15–12:15) (Pages 6 – 61)

Rhodri Williams, Director, Wales

Claudio Pollack, Group Director, Content, Consumer and External Affairs

John Davies, Chair, Ofcom's Advisory Committee for Wales

Glyn Mathias, Content Board Member for Wales

5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the meeting for the following business: Item 6

6 Holiday Caravan Sites (Wales) Bill: Consideration of scope and approach to Stage 1 scrutiny (12:15–12:30) (Pages 62 – 69)

Lunch (12:30–13:00)

7 Discussion of report of the Commission on Public Service Governance and Delivery (13:00–14:30)

Sir Paul Williams, Chair of the Commission

Nick Bennett, Commission Member

Nerys Evans, Commission Member

Garry Owen, Commission Member

[The report of the Commission on Public Service Governance and Delivery](#)

8 Papers to note (Pages 70 – 72)

9 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the meeting for the following business: Item 10

10 Discussion of session on the Report of Commission on Public Service Governance and Delivery (14.30–14.45)



Briefing paper for the National Assembly for Wales's Communities, Equality and Local Government Committee

Ofcom's confirmation in February that ITV's Public Service Broadcasting licences are to be renewed for a full 10-year term from the start of 2015 heralds a new period of confidence and certainty for ITV Cymru Wales.

Licence renewal - and the creation for the first time of a stand-alone Channel 3 licence for Wales - secures ITV Cymru Wales' position as a commercial public service broadcaster at the heart of Welsh life until the end of 2025. The level of programming is unchanged, comprising four hours of news and 90-minutes of non-news programming every week.

It allows ITV Cymru Wales to continue to provide comprehensive, daily coverage of Welsh news, sport and weather supplemented by a range of popular programmes across current affairs, politics, documentaries and factual entertainment - the majority shown in peak or near-peak viewing time on ITV.

This stand-alone licence for Wales (as opposed to the current "Wales and West" licence) is recognition of the distinct national agenda that has emerged to touch the lives of ITV viewers in Wales in the 14 years since devolution.

Whilst not part of our licensed service, our programming in the Welsh language - commissioned on a commercial basis - contributes to the range and quality of content on S4C.

Site move

Underpinning this exciting new era for ITV Cymru Wales is the relocation of our new headquarters at 3 Assembly Square, next to the Welsh Assembly building in Cardiff Bay. The completion date for the move from our current base at Culverhouse Cross, Cardiff, is the end of June.

Around 100 ITV staff will be moving to the ground floor space of the new building. The new premises will house all of ITV Cymru Wales news, programmes and production facilities as part of a modern, integrated design.

This is a tangible outcome of the security and stability that comes from licence renewal. The move represents a once-in-a-generation activity and is a major multi-million financial investment to provide the latest HD production technologies and studio facility.

We will also upgrade our facilities within Ty Hywel as an additional production and editorial base. There will be improved technical connectivity between the two buildings, which will help to enhance our coverage of Welsh politics within news and programmes.

On 14 March, Vale of Glamorgan Council granted outline planning permission to redevelop the Culverhouse Cross site for housing. Our property team are continuing their discussions with interested developers and there will be more information from them on any sale of the site in the due course. In the meantime, our tenant businesses are in the process of relocating to alternative premises.

Programme performance

Further momentum is provided by the performance of our programmes and services:

- The ITV News Cymru Wales 6pm programme with Jonathan Hill and Ruth Wignall had an impressive 2013 performance, averaging 19.2% share of the viewing audience. This represents a continuation of the sharp growth over the last few years, with the programme averaging 18.3% in 2012 and 16.9% in 2011.
- Our digital news service for mobile platforms continues to grow at a significant rate. Figures for January 2014 were up almost 300% year-on-year.
- Our new Sunday morning programme *Newsweek Wales* is attracting a new audience for news while *Sharp End*, our weekly look at Welsh politics in Cardiff Bay and Westminster, is performing well in its new Monday night slot.
- Following a highly positive response from viewers, we have re-commissioned *Coast and Country* - our new series celebrating the great outdoors - for an extended run in 2014.
- Special programming is planned for the WW1 commemorations, Dylan Thomas anniversary, the NATO summit in Newport, the Commonwealth Games, Royal Welsh Show and National Eisteddfod.
- Other programmes for 2014 include: *Wales on a Bus Pass* with Chris Segar taking the road less-travelled; documentary series following the fortunes of Cardiff Airport and the Wales Ambulance Service (*Helimed*s); and a four-part series celebrating the Culverhouse Cross studios with contributions from stars past and present and extensive use of the ITV archive.
- Many of our programmes are available to watch online at www.itv.com/wales and viewers are able to follow our shows on Facebook and Twitter.

There has also been recognition for our programmes with a number of industry awards in 2013 including Bafta Cymru awards for Best News Coverage (April Jones disappearance) and Best Current Affairs for *Y Byd Ar Bedwar*, plus Local Report of the Year at the Asian Media Awards for *Wales This Week*.

ITV Network

A Great Welsh Adventure with Griff Rhys Jones, celebrating the landscapes and people of Wales, was a welcome showcase for Wales on the ITV network. The series performed well to audiences in Wales and across the UK.

We have been actively engaging with senior ITV colleagues in London to help build business relationships with the wider industry in Wales. The visit by ITV's Director of Television, Peter Fincham, to Cardiff at the end of last year helped to reinforce ITV's relationship with key Welsh independent production companies with his message that ITV is "open to ideas and business" from Wales. The message was reinforced a few weeks later by Steve November, ITV's Director of Drama, during his visit to ITV Wales.

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ITV/3

More recently, ITV's new Director of Factual, Richard Klein, met with our senior editors to discuss requirements for factual programming. Additionally, the *Sharp End* team is forging closer links with the network *Agenda* political discussion programme that precedes it, while ITV network news has collaborated with us on a number of major stories in Wales.

Financial Results 2013

ITV Cymru Wales is part of the UK's most popular free-to-air commercial broadcaster – home to some of the biggest shows on British television. Developments in Wales are part of the overarching success story of ITV plc as the business continues to thrive both creatively and commercially. Last month, we announced our results for 2013 with group revenues up 9% to £2.39bn and EBITA up 21% to £620m - the fourth consecutive year of double-digit profit growth in an economically challenging environment. Non-advertising revenues again grew strongly as we continue to rebalance the business and grow new revenue streams.

ITV is now demonstrably a much stronger company both operationally and financially, but we know we still have much to do. Looking forward to 2014, we expect all parts of the business to see further growth as we continue to invest in creating and broadcasting high quality content both in the UK and internationally.

<http://www.itvplc.com/media/news/itv-plc-full-year-results-2013>

Further information:

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See also separate document: ITV Cymru Wales Fact Sheet

March 2014



CYMRU WALES

Fact Sheet

- We're the face of ITV in Wales, producing four hours of news, sport and weather plus 90-minutes of non-news programmes every week, mostly scheduled in peak time.
- We're part of the UK's most popular free-to-air commercial broadcaster – home to some of the biggest shows on television at a time when people are watching more TV than ever before.
- We employ nearly 100 people across News, Programmes and Operations.
- In June 2014 we're moving from our current HQ at Culverhouse Cross, Cardiff, to a modern new building at 3 Assembly Square in Cardiff Bay next to the Welsh Assembly.
- We also have an office in Colwyn Bay in North Wales. We've got reporters based in key locations around Wales.
- There are now more people watching news about Wales from ITV than were doing so a decade ago - and we continue to close the gap on BBC Wales News.
- Our digital news service continues to grow in popularity at a rapid pace and is increasing our reach for news about Wales among smartphone and tablet users.
- In autumn 2013 we launched a new weekly news programme called *Newsweek Wales* for Sunday mornings and a new factual series *Coast & Country* – a celebration of the “great outdoors”. Both have proved to be popular with audiences.
- We provide coverage of Wales' major festivals and events such as the Royal Welsh Show and the National Eisteddfod.
- We provide extensive coverage of Welsh politics – both in Westminster and the Welsh Assembly – in our daily news programmes and in our weekly politics show *Sharp End*.
- Our flagship current affairs strand *Wales This Week* has just returned for a new run, starting with a programme commemorating the 30th anniversary of the 1984 miners' strike.
- We have a successful commercial relationship with Welsh language broadcaster S4C, producing current affairs (*Y Byd Ar Bedwar*, *Hacio*), rural affairs (*Cefn Gwlad*) and entertainment shows (*Sion a*

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Sian). We're now making more programmes for the channel than we have done at any point in the past three years.

- In February this year Ofcom confirmed the renewal of ITV's regional licences for a further 10 years from 2015. For the first time, there will be a stand-alone licence for Wales.

Awards

- Bafta Cymru 2013 - Best News Coverage (for April Jones disappearance).
- Bafta Cymru 2013 - Best Current Affairs for *Y Byd Ar Bedwar* ("Anglesey Drugs Deaths" for S4C)
- Asian Media Awards 2013 - Local Report of the Year for an edition of *Wales This Week*.
- Bafta Cymru 2012 – Best Current Affairs for Wales This Week (investigation into "The Bullseye Killer").

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March 2014

Agenda Item 4

Communities, Equality and Local Government Committee

CELG(4)-10-14 Paper 3



National Assembly for Wales

Communities, Equality &
Local Government Committee

Written Evidence

March 2014

Section 1

Introduction

Ofcom welcomes this opportunity to submit evidence to the National Assembly for Wales' Communities, Equality & Local Government Committee on our activities and regulatory duties.

Ofcom is the independent regulator and competition authority for the UK communications industries, with responsibilities across broadcasting, telecommunications, postal services and the airwaves over which wireless devices operate.

Ofcom operates under a number of Acts of Parliament and other legislation. These include the Communications Act 2003, the Wireless Telegraphy Act 2006, the Broadcasting Acts 1990 and 1996, the Digital Economy Act 2010 and the Postal Services Act 2011.

The Communications Act states that Ofcom's general duties should be to further the interests of citizens and of consumers. Meeting these two duties is at the heart of everything we do.

As a converged regulator, Ofcom publishes high quality data and evidence about the broadcasting and communications sectors in Wales, through, among others, its annual Communications Market Report, UK Infrastructure Report¹ and Public Service Broadcasting Annual Report. The data in much of this submission is based on the latest iterations of these reports, published in 2013. Data for the 2014 reports is currently being collated.

The Communications Sector

In recent years, consumers in Wales have benefited from significant changes in the way communications services are delivered. As a result, consumer expectations have changed considerably.

In the past decade since Ofcom was established, the UK's communications market has experienced rapid change:

- In 2004, most connections to the internet were through a dial up connection and broadband was in its infancy with a maximum speed of 1 or 2 megabits per second. Now, the majority of homes in Wales (75%) are connected to the internet and superfast broadband connections have become available;
- There has been huge growth in consumption of mobile voice and data. Smartphones are enabling people to access the internet while on the move. In 2003, neither Facebook nor Twitter had been invented. Now, almost half (45%) of UK adults access a social networking site and this figure rises to 75% for young adults;
- The vast majority of homes have adopted digital, multichannel TV – penetration in Wales has increased from 36% to 99%;
- There are now nearly 280 licensed community radio stations and digital radio services now make up over a quarter of all radio listening;

¹ Further information and interactive maps showing data by local authority are available on our website at maps.ofcom.org.uk.

- Competition on the sector has delivered many of these outcomes, but Ofcom has been able to make some fundamentally pro-competition interventions. In the fixed voice and broadband markets, competition, innovation and choice at the retail level has been significantly enhanced by regulation to ensure non-discriminatory access.
- A good example of this is Local Loop Unbundling, creating the ability for rival communications providers to install their telecoms equipment at local BT exchanges. The result has been investment in networks and increased choice and value for consumers. Today, Wales has the second highest availability of LLU broadband with 93% of premises connected to an LLU-enabled BT local exchange. The cost of a basket of residential fixed line services, meanwhile, has fallen as speeds have increased.
- However, competition can only function well if consumers can make informed choices. As a result, we continue to dedicate resources to demand side interventions such as publishing definitive data about broadband speed to ensure that consumers are able to engage effectively in the market.
- In broadcasting, we have moved from an analogue to a digital era where the number of channels, the range and volume of available content has proliferated. Today, Ofcom licenses over 2000 broadcast services, many of which broadcast 24 hours a day. This has fundamentally altered trends in viewing and listening behaviour.
- The creation of a diverse, often niche, multi-lingual broadcast environment has resulted in a shift in Ofcom's focus. We now regulate a large amount of small, sometimes transitory providers, often without the experience of compliance with broadcast regulations.
- However, while the broadcast environment has changed radically, our research suggests that the audience's underlying concerns remain the same - expecting a level of assurance through fundamental protections and the safeguarding of critical freedoms.
- Finally, in postal affairs, a relatively new duty for Ofcom since taking over regulatory responsibility from Postcomm in 2011, Ofcom has sought to safeguard the UK's Universal Service Obligation on postal services by imposing measures to protect vulnerable customers from price rises, and strengthening safeguards for the provision of post boxes.

These related trends of growing competition and improving technology are almost certain to continue in the future, meaning that transformation of the communications sector is likely to accelerate rather than slow down. Devices such as smartphones and tablet computers are likely to become more popular, and as more and more devices are connected to the internet, online services will become more diverse and be used for a wider range of purposes.

In view of these challenging market trends and the considerable pressures which face the media in the UK, Ofcom's goal is to ensure that the regulatory regime is clear and consistent to enable content providers to generate revenues; flexible enough to adapt to cloud-based convergence and rapidly changing circumstances; and robust enough to ensure that the increasingly heterogeneous interests of citizens and consumers continue to be met through the delivery of high quality public service content provided by a multitude of voices.

Section 2

Governance & Accountability

Ofcom was established as a body corporate by the Office of Communications Act 2002. Ofcom launched on 29th December 2013 inheriting duties that had previously been the responsibility of five legacy regulators:

- The Broadcasting Standards Commission
- The Independent Television Commission
- The Office of Telecommunications
- The Radio Authority
- The Radiocommunications Agency

On 1 October 2011, Ofcom also took over responsibility for regulating the postal services industry from the Postal Services Commission.

Under the Communications Act 2003:

” 3(1) It shall be the principal duty of Ofcom, in carrying out their functions;

- (a) to further the interests of citizens in relation to communications matters; and
- (b) to further the interests of consumers in relevant markets, where appropriate by promoting competition”

Ofcom’s main statutory duties are to ensure:

- the UK has a wide range of electronic communications services, including high-speed services such as broadband;
- a wide range of high-quality television and radio programmes are provided, appealing to a range of tastes and interests;
- television and radio services are provided by a range of different organisations;
- people who watch television and listen to the radio are protected from harmful or offensive material;
- people are protected from being treated unfairly in television and radio programmes, and from having their privacy invaded;
- a universal postal service is provided in the UK – this means a six days a week, universally priced delivery and collection service across the country; and
- the radio spectrum is used in the most effective way.

We are not responsible for regulating:

- disputes between consumers and their telecoms provider - this is a matter for the Ombudsman Services Communications or CISAS.
- premium-rate services, including mobile-phone text services - this is a matter for PhonePay Plus
- the content of television and radio adverts - this is a matter for the Advertising Standards Authority;
- complaints about accuracy in BBC programmes - these are a matter for the BBC;
- the BBC TV licence fee - this is a matter for the UK Government; or
- newspapers and magazines - these are a matter for the Press Complaints Commission.

Accountability, Transparency & Funding

Accountable to the UK Parliament, Ofcom is involved in advising and setting some of the more technical aspects of regulation, implementing and enforcing the law.

We publish an Annual Report to account for our activities which includes details of our budget, expenditure and the remuneration of Ofcom's Board, Content Board and Executive Committee. Ofcom is committed to making its activities open and transparent and reports annually by laying its annual report and its accounts before the UK Parliament. Ofcom is also audited by the National Audit Office (NAO), which approves our annual accounts.

Following the publication of our Annual Report, the Ofcom Chair and CEO appear before the Culture, Media & Sport Select Committee to account for Ofcom's activities. Ofcom also submits to other ad hoc scrutiny via parliamentary or assembly committees, both in Westminster and in the devolved Parliaments or Assemblies in Scotland, Wales and Northern Ireland.

Ofcom also meets regularly with UK Government Ministers and Ministers in devolved Governments to explain its work. Any evidence and recommendations provided to Ministers, the UK Parliament or devolved Parliaments/Assemblies are made public.

All of our regulatory proposals are subject to rigorous internal and external scrutiny. We hold extensive consultations to allow all interested parties to share their views and opinions on specific proposals. We then publish the responses to our consultations unless we have been asked to keep something confidential.

Ofcom is funded by fees from industry for regulating broadcasting and communications networks, and grant-in-aid from the UK Government. As part of the 2010 Treasury Spending Review, which determined public-sector budgets up to 2014/15, Ofcom has responded to the wider challenges facing public expenditure. It has aimed to deliver effective, targeted regulation in the interests of citizens and consumers – including additional responsibility since 2011 for regulating the postal sector – while maintaining value for money for its stakeholders.

Ofcom's proposed budget for 2014/15 is £117 million. This represents a 3% real-terms reduction on Ofcom's budget for 2013/14. The proposed budget will allow Ofcom to deliver an overall 28.9% real-terms budgetary reduction compared to 2010/11. This exceeds a commitment to deliver total savings of 28.2% by 2014/15.

Ofcom's Regulatory Principles

Ofcom performs its regulatory duties with a clearly articulated and publicly reviewed annual plan, with stated policy objectives. We hold stakeholder events in each of the Nations on our Draft Annual Plan and consult widely on our overall programme of work for the next 12 months. In short, Ofcom intervenes where there is a specific statutory duty to work towards a public policy goal which markets alone cannot achieve. It operates with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required.

Ofcom always strives to ensure that its interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.

If intervention is necessary, Ofcom seeks the least intrusive regulatory mechanisms to achieve its policy objectives.

Finally, Ofcom researches markets constantly and aims to remain at the forefront of technological understanding. Through consultation with all relevant stakeholders, Ofcom aims to assess the impact of regulatory action before imposing regulation upon a market.

The Ofcom Board

Ofcom has a Board with a Chairman and both executive and non-executive members. The Executive runs the organisation and answers to the Board, whilst the work of both Board and Executive is informed by the contribution of a number of advisory bodies, including the Ofcom Advisory Committee for Wales.

The Ofcom Board provides strategic direction for Ofcom. It is the main statutory instrument of regulation with a fundamental role in the effective implementation of the Communications Act 2003.

The Board is chaired by a non-executive Chairman, Dame Colette Bowe, who stands down at the end of her full term on 31st March 2014. She is succeeded by Ofcom's current Deputy Chairman, Dame Patricia Hodgson. There are up to nine additional members including non-executive Board Members, the Chief Executive of Ofcom and up to three members of the executive.

The Board has a central governance function, with oversight over the fulfilment of Ofcom's general duties and specific statutory responsibilities as well as its adherence to the ethos of a public service organisation. The Board also has oversight of Ofcom's overall funding and expenditure.

The Ofcom Main Board is chaired by Dame Colette Bowe. She is joined by five other Non-Executive Board Members including Dame Patricia Hodgson, Deputy Chairman; Dame Lynne Brindley, Chairman of Ofcom's Nations Committee; Tim Gardam, Chairman of Ofcom's Content Board; Lord Blackwell, Non-Executive Board Member with responsibility for postal regulation; and Mike McTighe, Chairman of the Ofcom Risk and Audit Committee.

Ed Richards, Chief Executive; Stuart McIntosh, Executive Board Member & Group Director, Competition Group; and Jill Ainscough, Executive Board Member & Chief Operating Officer, are also Executive Members of the Ofcom Main Board.



Ofcom also has a number of Committees charged with a range of responsibilities including among others: the Nations' Committee, the Content Board, and the Broadcast Licensing Committee.

Ofcom Nations' Committee

Ofcom always aims to be mindful of the diversity of the UK and its nations. Our duties require us to discharge our responsibilities towards citizens and consumers across the whole of the UK. Therefore, we have made changes to our governance to better involve those closest to nations issues in the key decisions we are making.

To underline Ofcom’s commitment towards the Nations, the Ofcom Board established the Nations Committee as a sub-committee of the Main Board in 2010. The Nations Committee ensures that the Board receives advice directly from Ofcom’s national Advisory Committee Chairmen and Executive Directors on key projects affecting the Nations.

Its role includes: understanding the political dynamics in each Nation and advising on the political engagement by Ofcom in each Nation; agreeing appropriate processes for Ofcom Board and Content Board engagement with each National Advisory Committee; monitoring stakeholder events in each Nation and involvement and engagement from Ofcom Board, Content Board, National Advisory Committee members and Ofcom executives.

The Nations Committee reports formally to the Board about activities following each quarterly meeting of the Committee and we have also instituted a formal annual meeting between the chairs of our national advisory committees and the Board, with the Directors of Nations in attendance.

The Nations Committee has six members, comprising two non-executive members of the Ofcom Board (Dame Lynne Brindley & Dame Patricia Hodgson), one of whom acts as chairman (Lynne Brindley), and the Chairmen of the National Advisory Committees.

John Davies, Chairman of the Ofcom Advisory Committee for Wales, represents Wales on the Ofcom Nations’ Committee. The Directors of Nations also attend with Rhodri Williams, Director Wales, representing Wales.

Ofcom’s Operations



Executive Committee

The Executive Committee (ExCo) is the senior executive team responsible for overseeing the management of Ofcom.

Its core focus is on setting direction for the organisation, financial and administrative decision-taking (or review prior to Ofcom Board consideration), and monitoring; its policy-making responsibilities are limited to management policy only (e.g. HR policies).

ExCo is also responsible for ensuring top level read-across between the different groups within Ofcom, including areas of overlap between the Operations and Policy areas.

ExCo receives regular management information, including updates from each business area, and considers issues of external presentation (such as public statements, policy or case handling, media and stakeholder events) and internal communication.

The Executive Committee meets monthly.

Policy Executive

The Policy Executive (PE) is responsible for the development of Ofcom's overall policy agenda.

PE guides the direction of policy and provides a forum for policy discussion, oversight and validation.

PE also provides effective peer review of policies and papers prior to their submission to the Board, Content Board or other Ofcom Advisory Committees for advice and/or approval.

Policy Executive meets weekly.

Operations Board

The Operations Board manages the operations areas within Ofcom (i.e. Central Operations, Field Operations, Finance, Human Resources, Information Services and the Directorate of Planning & Development) under delegation from the Executive Committee (ExCo).

Its role is to support, guide and challenge the operational performance and transformation of the operations groups within Ofcom. The Operations Board reports directly to ExCo.

The Operations Board meets fortnightly.

Ofcom's Group Structure



Legal Group

The Legal Group, under the leadership of Ofcom's General Counsel, Polly Weitzman, provides legal advice across the whole range of Ofcom's strategic priorities. Ofcom lawyers work across all sectors, including electronic communications, broadcasting, spectrum issues and consumer matters. Day-to-day work may cover disputes or complaints, advisory work or litigation.

Content, Consumers & External Affairs Group

The Content, Consumers & External Affairs Group (CCEA), under the leadership of Claudio Pollack, takes action to further the interest of consumers in the markets which Ofcom regulates. This includes producing research to inform Ofcom's policy making and enforcement activity; seeking to ensure consumers can benefit from the market; and taking action to protect consumers from scams and unfair practices.

The Group also provides assurance to audiences, licenses broadcast services and engages with the media, UK government and nations to secure positive outcomes for consumers and citizens.

Strategy, International Technology & Economist Group

The role of the Strategy, International Technology & Economist Group (SITE), under the leadership of Steve Unger, is to understand and critically evaluate external market and regulatory developments, and use this understanding to determine Ofcom's strategic priorities. The team ensures that Ofcom has a clear approach to regulating the communications sector, including interpreting the strategies of major media and communications companies.

Competition Group

The Competition Group, under the leadership of Stuart McIntosh, is responsible for managing Ofcom's economic regulation and competition policy work in communications markets, for the benefit of citizen and consumers. The Group does this, first, by promoting competition and, second, by intervening where markets don't work.

Spectrum Policy Group

The Spectrum Policy Group, under the leadership of Philip Marnick, is responsible for clearing, awarding and licensing the radio spectrum in the UK, making sure that all kinds of wireless communications, including cellular mobile, radio and TV, broadcasting, taxi and portable radios, satellite communications and WiFi laptops operate efficiently and without interference.

Operations Group

The Operations Group, under the leadership of Ofcom's Chief Operating Officer, Jill Ainscough, provides a key interface for Ofcom's stakeholders. It provides many different services, from the allocation of spectrum, licensing, spectrum engineering and enforcement through to consumer advice and complaints. The Operations Group also ensures the smooth running of the organisation through financial management, human resources management and information systems provision.

Ofcom in Wales

Ofcom has a statutory duty to take into account in its decisions the views and interests of those who live in different parts of the UK. Our operations in the nations are led by senior Directors in Cardiff, Glasgow and Belfast, who work to ensure that the views, needs and special circumstances of the nations receive Ofcom's attention.

Ofcom's operations in Wales are led by Rhodri Williams, Ofcom's Director Wales. He has overall responsibility for all aspects of Ofcom's work in Wales. He is supported by Elinor Williams (Regulatory Affairs Manager), Alex Williams (Regulatory Affairs Advisor) and Liz Nash (Regulatory Affairs Assistant). The team draws on the full resources of the whole organisation to tackle issues that affect Wales. Wales also has a dedicated Senior Field Engineer, Peter Alsop, who ensures that the airwaves are kept clear from interference.



The Ofcom Wales team represents Ofcom in Wales and Wales within Ofcom – managing relationships and communications with a wide range of stakeholders with the aim of informing and advising government departments and policy-makers on how to build the best public policy environment for the communications sector and the digital economy. We do this by holding an engaging and creative programme of stakeholder events to highlight key issues and encourage responses to Ofcom consultations.

Through well-established working relations with stakeholders, the team makes sure it is acutely aware of the needs of industry, consumers and citizens in Wales. One of the ongoing strategic objectives of the Ofcom Wales team is to build and maintain a close working relationship with Welsh Government, Assembly Members and industry stakeholders.

We hold regular meetings with relevant Welsh Government Ministers, civil servants and key industry stakeholders such as BT and Royal Mail. We also promote an 'open-door' policy, reaffirming our willingness to provide information and respond to enquiries.

Furthermore, our quarterly bilingual electronic newsletter, AM.com, and Ofcom "Bitesize" sessions are popular and effective ways of keeping Assembly Members and other stakeholders up to date with recent developments in key policy areas.

The team also deals with all aspects of Ofcom's remit and provides advice to Ofcom's policy and research teams, contributing a Welsh viewpoint to Ofcom's internal policy discussions and programmatic work.

In addition to these key duties, we manage Ofcom's complaints and correspondence to resolve Assembly Members' issues and concerns; provide support to Ofcom's Advisory Committee for Wales; and ensure compliance with our Welsh Language Scheme.

Ofcom Wales also provides secretariat to the National Assembly Cross Party Group on Digital Communication, chaired by Russell George AM.

National Advisory Committees

The work of both the Ofcom Board and Executive is also informed by the contribution of a number of committees and advisory bodies, which are required by the Communications Act. This includes the Ofcom Advisory Committee for Wales. Ofcom has established separate National Advisory Committees for Wales, Scotland, Northern Ireland and the English Regions. These Committees have been established under statute, specifically Section 20(1) of the Communications Act 2003.

The Advisory Committees for the Nations are tasked to identify those aspects of Ofcom's current work and of communications in general which are of particular importance for their nation, to work with the Ofcom Executive to inform themselves on these topics and to offer advice to Ofcom accordingly. The Committees are also asked to be prepared to respond to specific consultations from Ofcom on matters where a non-metropolitan perspective will be invaluable even though there may not be specific national issues.

The National Advisory Committees have their own website, [Advice to Ofcom](#). They also tweet as @advicetoofcom

Ofcom Advisory Committee for Wales (ACW)

The Advisory Committee for Wales provides Ofcom with detailed and expert advice on communications matters affecting citizens and consumers in Wales. The members are appointed by Ofcom following consultation with the Secretary of State for Wales and the Welsh Government.

The Committee currently consists of six members and the meetings are chaired by John Davies. The Content Board Member for Wales, Glyn Mathias, is also a Member of the Advisory Committee and the Communications Consumer Panel Member for Wales, Kim Brook, attends meetings ex-officio.

The remit of the Advisory Committee is to:

- seek to identify issues affecting the communications sector in Wales, with particular reference to the sectors where Members have particular knowledge or expertise.
- to provide advice to Ofcom about general and specific issues concerning the communications sectors arising within Wales.
- to provide advice and comment as required on matters brought to the Committee by Ofcom.
- to offer comment as appropriate on consultations undertaken by Ofcom.
- where requested by the Content Board, to provide specific advice to the Board on matters relating to television, radio and other content on services regulated by Ofcom.
- when so requested by the Ofcom Board, to provide advice to the Communications Consumer Panel on matters affecting consumers in Wales in the communications sector.

- to provide Ofcom with advice on matters relating to its responsibilities for the promotion of media literacy in Wales.
- to produce, on request, an annual report reflecting issues within the communications sector in Wales.

The membership of the Ofcom Advisory Committee for Wales is drawn from a wide range of backgrounds and professional expertise.

John Davies, Chairman

John Davies is a telecommunications consultant and communications company director. He is the former Director of BT Wales and Chief Operating Officer of BT Wholesale.

Julie Barton, Member

Julie Barton is a media consultant. She worked for BBC Wales for more than 20 years, and spent the last six as Editor of BBC Radio Wales.

Huw Roberts, Member

Huw Roberts is the Chair of the Institute of Directors in Wales, having retired from the Royal Mail Group in 2011, where he was the Director of Welsh Affairs. During his varied career, he has also worked in broadcasting as ITN's Press Advisor and later worked for BBC Wales during the last Charter renewal process.

Nerys Evans, Member

Nerys Evans is a founding Director at Deryn Public Affairs consultancy. She served as an Assembly Member representing Mid and West Wales between 2007 and 2011.

Andrew Davies, Member

Andrew Davies is Chairman of Abertawe Bro Morgannwg University Health Board. He was the Assembly Member for Swansea West from 1999-2011, serving in the Welsh Government Cabinet for over 10 years.

Glyn Mathias, Member & Content Board Member for Wales

Glyn Mathias is the Content Board Member for Wales. His appointment was made in consultation with the Secretary of State for Wales and the Welsh Government. Glyn has over 30 years' experience as a broadcast journalist. Between 1973 and 1994, he worked as a Political Correspondent and Political Editor for ITN and then until 1999 was Political Editor for BBC Wales.

Kim Brook, Communications Consumer Panel Member for Wales

Kim Brook is the Communications Consumer Panel Member for Wales. After 15 years in the Army, Kim joined IBM, working in their IT, telecoms and the insurance industry divisions. He first joined the Communications Consumer Panel in October 2008 for a two year term. He was re-appointed to the Consumer Panel in April 2011.

Ofcom's Engagement with the Advisory Committee for Wales

The National Advisory Committees seek to test and scrutinise Ofcom's proposals to bring about a recognition of the specific needs and interests of the Nations in Ofcom's work programme. They act as critical friends, ensuring that Ofcom's policies are framed within the context of a devolved United Kingdom and reflect the unique circumstances of each constituent Nation of the UK.

Over recent years, the Ofcom Advisory Committee for Wales (ACW) has been actively pursuing a number of key priorities and strategic objectives across Ofcom's wide-ranging regulatory remit.

Case Study 1 – 800 MHz & 2.6 GHz Combined Spectrum Auction

The Ofcom Advisory Committee for Wales' advice was sought at an early stage in the design of the 800 MHz & 2.6 GHz 4G combined spectrum auction.

The original proposal was to include a UK-wide coverage obligation of 98% of the UK population but following advice from Ofcom's National Advisory Committees for Wales, Scotland and Northern Ireland, Ofcom revised its approach to include a nations-specific coverage obligation of 95% in addition to the 98% UK-wide coverage obligation.

The ACW felt that a UK-wide approach would seriously disadvantage rural areas (including much of Wales) as a coverage obligation of 98% could be achieved largely by ignoring deep rural areas in the Nations.

Ofcom decided to include a 95% Nations coverage obligation on one of the 800 MHz licensees in the design of the auction. Telefonica O2 was ultimately successful in winning this lot and is obliged to roll out its 4G coverage to 98% of the UK population and 95% of the Nations by 2017 at the latest. It is widely expected that other operators will also seek to match this coverage.

Case Study 2 – Channel 3 Licence Renewal

The Ofcom Advisory Committee for Wales has been a long standing advocate for a separate Channel 3 licence for Wales. Whilst in practice, the ITV Wales and ITV West of England services operate as distinct entities, Members of the ACW have advocated for a separate licence for Wales to underpin the public service obligations of the Channel 3 licensee towards Wales.

During the recent licence renewal process, Members of the ACW urged Ofcom to include this as a condition of licence renewal and following ITV's agreement, the change in licence arrangements will come into force in the next licence period from January 2015.

The ACW felt that the change will bring greater accountability to the people of Wales for the service provided by ITV and recognises the need to sustain plurality of programme provision in Wales.

Content Board

The Content Board, chaired by Tim Gardam, is a committee of the main Ofcom Board, with delegated and advisory responsibility for a wide range of content issues, predominantly dealing with broadcasting. It is set up under statute, specifically Section 12(1) of the Communications Act 2003.

The Content Board serves as Ofcom's primary forum for the regulation of television and radio quality and standards. It is charged with understanding, analysing and championing the voices and interest of the viewer, the listener and citizen.

It examines issues where the citizen interest extends beyond the consumer interest, with focus on those aspects of the public interest which competition and market forces do not reach.

Content Board Members consider content issues in three categories:

- Negative content regulation which covers matters principally concerning harm and offence, accuracy and impartiality, fairness and privacy.
- Quantitative matters such as quotas for independent television production, nations/regional production and original EU/UK production.
- Issues relating to public service broadcasters. In this context, Ofcom has particular responsibility for Channel 3, Channel 4 and Five.

Members will also consider format regulation for radio and will advise the Ofcom Board on other issues including media literacy.

The majority of Content Board members are part-time and drawn from diverse backgrounds across the UK, including both lay members and members with extensive broadcasting experience. Four are appointed to represent the interests and opinions of people living in Scotland, Wales, Northern Ireland and the English Regions. Glyn Mathias is the Content Board Member for Wales.

Recent work of the Content Board affecting Wales includes the decision to create a stand-alone Channel 3 licence for Wales in the next licence period from 2015. This is widely seen as a way of underpinning Channel 3's PSB obligations towards Wales.

Recently, the Content Board has also been active in ensuring an increase in the Out of England production quota for Channel 4 during its next licence period. It has been agreed that Channel 4 will produce 9% of its programming by volume and value in Northern Ireland, Scotland and Wales by 2020.

Broadcast Licensing Committee (BLC)

The Ofcom Board has delegated the discharge of certain of its functions in relation to television and radio broadcast licensing to a committee known as the Broadcast Licensing Committee (BLC), chaired by the Chairman of the Content Board, Tim Gardam. Glyn Mathias, Ofcom's Content Board Member for Wales, is Deputy Chairman of the BLC.

From 1st July 2012, the BLC took over all the functions previously carried out by the Radio Licensing Committee and the DTT Allocation Committee. The BLC also has the licensing of local TV as part of its remit.

For all decisions relating to licences in each of the nations of the United Kingdom, the non-executive Content Board Member for the relevant Nation and the executive Director for the relevant Nation will be invited to attend the meeting as members.

In his role as Deputy Chairman of the BLC, Glyn Mathias is a permanent member but he is also accompanied by Rhodri Williams, Director Wales, for decisions relating to licensees based in Wales.

Recent work by the BLC affecting licensees in Wales include the award of four new community radio licences in North Wales and West Wales and decisions relating to local TV in Swansea, Mold and Bangor.

Communications Consumer Panel

Ofcom has established a Panel to advise on the consumer interest in the markets it regulates – a requirement of s.16(2) of the Communications Act 2003. The Panel is independent of Ofcom and operates at full arm's length from it, setting its own agenda and making its views known publicly.

The Communications Consumer (CCP) Panel, chaired by Jo Connell OBE, has a responsibility to understand consumer issues and concerns related to the communications sector and helps inform Ofcom's decision-making by raising specific issues of consumer interest. These include issues affecting rural consumers, older people, people with disabilities and those who are on low incomes or otherwise disadvantaged. To ensure that its recommendations to Ofcom are based on sound evidence, the Panel has an appropriate budget and staffing allocation to operate at arm's length from Ofcom and commission its own research.

Each Nation of the UK is represented on the panel and Kim Brook is the Communications Consumer Panel Member for Wales.

Alongside the Ofcom Advisory Committee for Wales, Kim Brook and the Communications Consumer Panel have been leading advocates of emergency 999 roaming and for a separate 95% 4G coverage obligation for the Nations in addition to the 98% UK-wide obligation. Recently, the Communications Consumer Panel has also played a role in ensuring that consumers are able to seek redress from the problems caused by mobile network rationalisation.

Section 3

Ofcom's Research & Market Intelligence

The Communications Act details several specific duties to conduct and publish market research amongst consumers and viewers.

Ofcom's regulatory principles state that we will research markets constantly and will strive to ensure that interventions are evidence based.

As a result, market research is not just important to Ofcom, it is essential as virtually all of our decision making is informed by research evidence.

In the last 12 months, we have published over 60 reports, ensuring Ofcom has access to a thorough, robust and up to date understanding of the attitudes and behaviours of the UK's consumers and businesses and an understanding of how the markets we regulate are evolving.

Our research is recognised as independent, robust and impartial, and plays an important role within Ofcom in underpinning our reputation as a regulator.

Ofcom dedicates significant resource and energy to market intelligence and research. We have the equivalent of 27 full time employees working in our research and market intelligence teams and our external spend budget for 2013-14 was £5.4 million.

Our Research

Ofcom has a statutory duty under the Communications Act to report annually on the state of the UK communications market. The Communications Market Report (CMR) is an invaluable resource for industry, stakeholders and consumers and is considered the industry benchmark. Published in early August, we produce a UK edition and stand-alone market reports for each devolved UK nation, detailing service availability and coverage and highlighting localised consumer issues. The Communications Market Report for Wales is fully bilingual.

Over the years, the CMR has evolved from being a purely reference document to a much broader commentary on changes in social and technological trends and attitudes across the markets we regulate.

As well as the CMR, we publish a wide range of market research and market intelligence reports each year. Other important Ofcom reports include the UK Infrastructure Report, Public Service Broadcasting Annual Report, The Consumer Experience Report, The International Communications Market Report (ICMR), Broadband Speeds Report and Digital Radio Report.

Under provisions set out in our Welsh Language Scheme, when conducting research in Wales, our standard practice will be to ensure that any communication with the public will be made bilingually. Therefore, when it is practicable, respondents will be asked whether they wish to respond to our surveys in Welsh or in English. At the beginning of an interview we pro-actively offer to arrange to conduct interviews in Welsh.

Assessing the provision of communications services in the nations

In 2012, Ofcom conducted a major ad hoc research project to assess the availability and quality of communications services across the UK.

We undertook to assess the provision of communications services in the nations – England, Scotland, Northern Ireland and Wales – to understand how and why the availability of communications services differs across the UK and how it could be improved.

We published our findings in our report entitled “The Availability of Communications Services in the UK”, which examines the availability across the UK of six communications services: fixed telephony, fixed broadband, mobile (voice and data), digital television, radio and post.

The report drew on data to compare availability for the UK as a whole, for its constituent nations and for the English regions, including new analysis on availability for urban, semi-urban and rural classifications of those areas.

As part of the report, we also considered existing case studies in the communications sector, drawing on work we commissioned that looked at a variety of public interventions – mostly in the UK but also elsewhere in Europe – to highlight the challenge of delivering services that would otherwise not be commercially viable on a standalone basis.

Our research showed widespread variations in the availability of communications services across the UK by nation and region. Landline telephone and postal services are subject to universal service obligations (USOs) and are therefore available across almost all of the UK.

Digital satellite television and analogue radio are similarly near-ubiquitous and there is high availability of public service broadcasting on digital terrestrial television (DTT) now digital switchover is complete.

However, the availability of broadband, mobile (both voice and data services) and DAB digital radio services is subject to much greater variation.

Availability of all services is good in urban areas in all four nations of the UK, and frequently near-universal. Rural locations are less well served, sometimes significantly so. This is true in England, outside Greater London, but there is a generally greater and recurring lack of availability of communication services to premises in Scotland and Wales and, Northern Ireland.

The Availability of Communications Services in the UK is available in hard copy from Ofcom Wales or at the following link: <http://stakeholders.ofcom.org.uk/market-data-research/market-data/economic-geography/>

Section 4

Draft Annual Plan 2014/15

Ofcom's Draft Annual Plan sets out our strategic purposes, proposed priorities and work programme for the 12 months from 1 April 2014 to 31 March 2015.

We have recently held a series of consultation events in each of the Nations of the UK. These events allow us hear directly from the public and industry stakeholders from across the sectors we regulate and provide invaluable feedback which enable us to make refinements and improvements to the Annual Plan before its final publication, alongside our budget, at the end of the current financial year.

Strategic Purposes

We first developed our strategic purposes in 2011/12 and reviewed them in 2013, to reflect our strategy and frame our programme of work over the coming years. These purposes remain unchanged for 2014/15, although we have re-balanced the focus of our work, as reflected in our 2014/15 priorities.

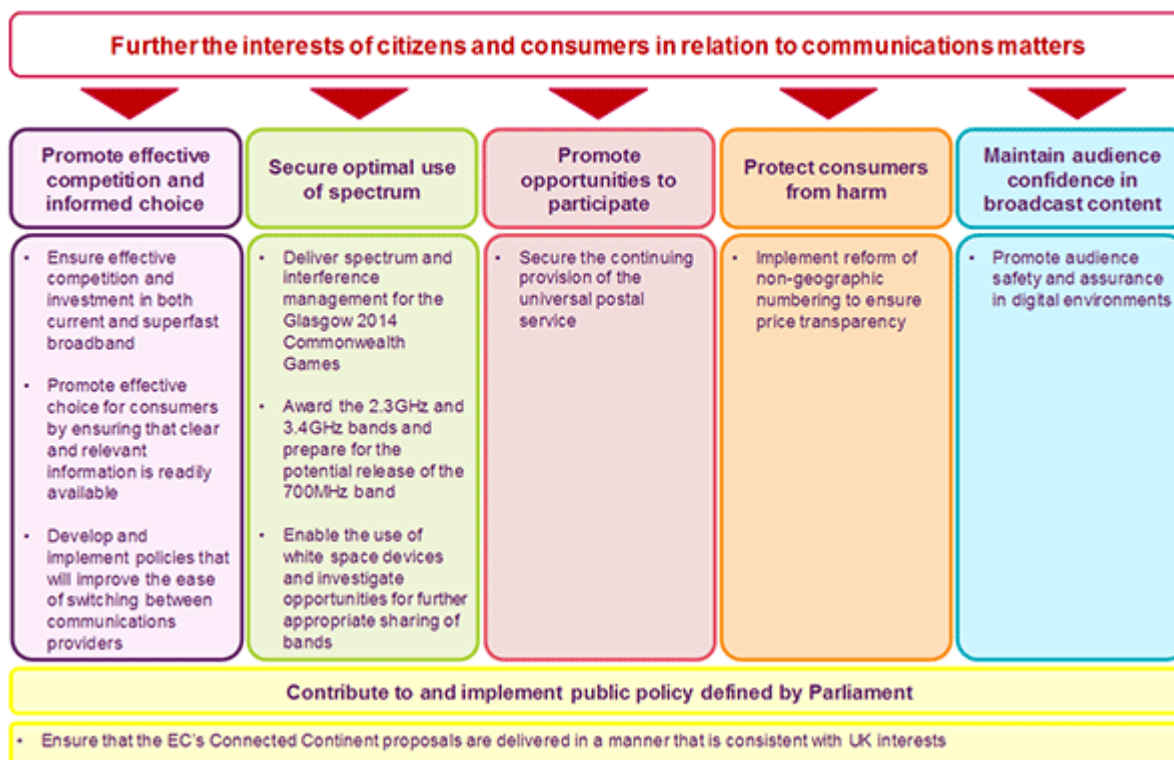


Ofcom's work programme for 2014/15 is underpinned by these strategic purposes and informed by:

- last year's priorities and our progress in delivering them;
- wider market developments, including the changing consumer use of communications services;
- legislative changes to our duties; and
- areas where Ofcom provides technical and industry expertise and advice to government.

Priorities – 2014/15

Our priorities for 2014/15 are set out below under their respective strategic purpose.



We will assess the successful delivery of these proposed priorities against the outcomes we are seeking to secure for citizens and consumers. To do this, we have identified interim and final outcomes for each priority and we will measure our progress towards delivering these in our 2014/15 Annual Report.

Major Work Areas

Our major work areas for 2014/15 can be summarised into seven themes:

- **Promote effective competition and informed choice** - this is an important element of Ofcom's strategy to deliver competitive markets, and we will deliver by, for example, providing provide information to people in those service areas that lack transparency;
- **Secure optimal use of spectrum** - as in 2013/14, spectrum issues make up a significant part of our 2014/15 work programme, covering, for example, a programme of potential future spectrum release including 2.3 GHz, 3.4 GHz and 700 MHz bands;
- **Maintain audience confidence in broadcast content** - Ofcom will continue to make an important contribution to improving outcomes for audiences and online consumers. This includes work on child protection online, and contributing to a common media standards framework.
- **Availability** - ensuring the availability of communications services, and in particular fixed and mobile broadband and superfast broadband, continues to be an important part of Ofcom's work programme. A combination of commercial investment, spectrum release, regulatory policy and government intervention is helping to deliver

widespread availability of these services. These remain significant areas of activity for Ofcom, mainly in supporting further commercial investment and public sector intervention.

- **Quality of service** - quality of communications services matters as much as availability, and is increasingly important for consumers. In mobile we will conduct work on the provision of consumer information regarding the quality of experience and broadband speeds. We will also continue our work in the area of traffic management and will also continue to monitor the quality of postal services.
- **Cost and value** - we have seen broadly positive outcomes for communications services in this area. Our work will continue to target issues including the affordability of core services and the adoption and use of services by disabled consumers. We published our most recent work on affordability, and more generally on the cost and value of communications services, in the Consumer Experience Report in January 2014.
- **Adoption** - in this area, commercial provision, supported by policy, continues to deliver positive outcomes. Take-up of services continues to rise, with services such as broadband and mobile broadband now enjoying widespread adoption and use by consumers.

Alongside our priorities and major work areas, we will also continue to deliver important programmatic services to stakeholders, such as licensing access to radio spectrum.

We will also remain responsive to new issues, emerging concerns that affect consumers across the UK, and new government requests.

In addition to responding to requests from the UK Government, and helping it to implement its policies in respect of communications matters, we will aid governments in the UK nations, to ensure that consumer and citizen benefits are available across and within all the nations of the UK.

Nations & Wales-specific Commitments

During 2014/15, we have committed to undertake significant pieces of work which will deliver positive benefits across the UK's Nations and for citizens and consumers in Wales. In the Nations we have committed to:

- secure the provision of the universal postal service;
- complete an evaluation of the affordability of core electronic communications services;
- work in collaboration with government and industry to promote the widespread availability of fixed and mobile superfast broadband;
- complete the licensing of new local TV services. Local TV stations have now been licensed in Cardiff, Mold and Swansea. No award was made in Bangor;
- continue to promote the provision of better mobile coverage and service information in order to inform both consumers and policy decisions;
- share the findings of our research into the availability of communications services;

- share the findings of our research into the use of, and attitudes towards, communications services by SMEs;
- share the findings of our research into broadband speed differences between rural and urban areas;
- promote the interests of the Nations:
 - through our work in relation to plurality, specifically through public interest tests or through any additional responsibilities we receive; and
 - through our engagement with devolved institutions and other stakeholders.

In Wales we will:

- provide appropriate regulatory and technical advice to the Welsh Government in support of its Digital Wales policy commitments, in particular the Access Broadband Cymru scheme and the Superfast Cymru project; and
- ensure that the needs of people in Wales are considered in any work we undertake on DAB radio technology and migration.

Section 5

Television

Ofcom has a range of duties in relation to broadcasting, which include:

- securing adequate protection for the public from harmful or offensive material and from unfair treatment or unwarranted infringements of privacy.
- ensuring that there is a wide range of TV and radio services of high quality and wide appeal.

Ofcom also has a statutory duty to assess the delivery of public service broadcasting on BBC One, BBC Two, Channel 3, S4C, Channel 4 and Channel 5 and the BBC digital channels.

Ofcom conducts comprehensive research into the broadcasting industry. The PSB Annual Report sets out to provide an evidence base for assessing the delivery of PSB. While the key purpose of this report is to show how PSB is being achieved in the UK as a whole, it also looks at the contributions of the individual PSB channels. Furthermore, Ofcom publishes market research on all of the sectors within our remit as part of our annual Communications Market Report which provides a detailed overview of key trends in broadcasting across Wales and the UK. We also have a statutory duty to conduct a review of public service broadcasting no less than every five years. We are set to begin our third review of public service broadcasting in the near future.

The data contained in this section is derived from Ofcom's Communications Market Report for Wales and PSB Annual Report.

Public service broadcasters, the BBC, Channel 3, Channel 4, Channel Five and S4C have to comply with a number of regulations and they must also comply with the conditions attached to their broadcast licences, which we issue. These include requirements to offer specific programmes and types of content, and to comply with various codes of practice such as the Broadcasting Code. These additional obligations are designed to ensure that, in return for their special status and prominence on the Electronic Programme Guide, the public service broadcasters contribute to the purposes of public service broadcasting.

However, whilst we are responsible for regulating Channel 3 licensees, Channel 4 and Channel 5, we share the regulation of the BBC with the BBC Trust and of S4C with the S4C Authority, both of whom set targets for their respective services in consultation with Ofcom on particular commitments such as production quotas for news and current affairs.

Broadcasting

In broadcasting, the last decade has seen rapid and constant technological changes. The consequent explosion of consumer choice has brought new challenges for broadcasters through increased competition for viewers, listeners and revenues; and increased costs from having to invest in new platforms and online business models.

Take-up of new devices, such as HD and 3D TVs, MP3 players and digital/internet radios have become more widespread and consumers now have access to much greater choice and control over when and where they consume audio-visual content in (and away from) the home than they did at the start of the 21st Century.

Whilst the shared common experience of TV means that the vast majority of TV viewing will remain in linear form for most consumers for the foreseeable future, linear TV will have to adapt to stay relevant in an “on-demand” world.

Furthermore, the pressure on commercial broadcasters has been further accentuated by consumer demands for local programming. While our research has found that the public values content on television and radio that reflects local identities, local programming is expensive to deliver and the commercial realities of increasing competition mean that producing a high volume of local programming is no longer as commercially sustainable as it used to be.

Digital Television Take-up in Wales

Historically, the topography of Wales has presented significant engineering challenges to the goal of securing universal television reception. Although the population of Wales is only around 5% of the UK population, it is served by 20% of the UK’s transmitters in a complex network of 214 main transmitters and relays.

Viewers in Wales can receive digital television via Freeview (Digital Terrestrial Television), satellite or cable. Satellite remains the most widely-used platform on main TV sets in Wales with 48% of consumers reporting that they access digital television through this platform. The proportion of homes in Wales with Freeview on their main set is at 38% followed by cable at 11%.

On 31 March 2010, Wales became the first nation in the UK to switch completely to digital television. Virtually all homes with a TV in Wales (99%) now report that they have access to a digital television service. However, while all transmitters in Wales broadcast three digital signals, known as “multiplexes”, which carry digital version of the former analogue channels, only the larger transmitters (such as Wenvoe, Carmel, Preseli, Kilvey Hill, Blaenplwyf, Moel-y-Parc, Llanddona and Long Mountain) broadcast an additional three commercial multiplexes.

These commercial multiplexes are not required to match the coverage of the public service signals as they do not carry any public service channels. Full six multiplex coverage is only currently available to around 73% of households in Wales.

Sixty-four per cent of Welsh households claim to have either HDTV services or an HD-ready television. Of these, 39% receive HDTV services, with the remaining 25% claiming to have an HD-ready TV but be unable to receive HD services.

Among those with a television in their household, 6% claim to have a smart television, a television with an integrated internet connection enabling viewers to access online interactive media.

Viewing Trends - Wales

People in Wales spend 4.5 hours per day watching television, which is the highest across all the UK nations.

The five main PSB channels account for a combined 52% share of total TV viewing in Wales. Between 2007 and 2012, there was a ten percentage point reduction in the combined share of the five main PSB channels in Wales.

However, among viewers in Wales, the PSB portfolio channels, such as BBC 3, ITV 2 and More 4 enjoyed an increase of 5.6pp resulting in a net loss overall of 4.8pp in the total combined channel share.

54% of adults in Wales state that TV was their main source of local news. The internet was second with 18%, radio (11%) and newspapers (8%).

62% of adults in Wales state that television is their main source of news about Wales. The internet was second with 16%, radio (10%) and newspapers (9%).

In 2012, BBC One's early-evening nation's news bulletin, *Wales Today*, attracted an average 29% share of TV viewing in Wales. ITV Wales' counterpart bulletin, *Wales Tonight*, attracted a lower average share (18%).

Production Quotas

The Communications Act describes a range of obligations that are designed to ensure that certain types of programmes are produced and broadcast in sufficient quantity. The Act places a duty on us to agree quotas with the broadcasters and monitor compliance for certain types of programmes.

The Act sets out a range of obligations applying to public service channels, and we set appropriate quotas to meet these obligations. When fixing the quotas, we take into account the individual remit of each channel and other relevant criteria.

A summary of the quotas applying to PSB channels is given below. These are applicable to the BBC, ITV1, Channel 4, Channel 5 and S4C.

- Independent productions – programmes made by companies that are independent of broadcasters.
- Original productions – programmes commissioned by broadcasters from in-house production resources or qualifying independent producers.
- Out-of-London productions – network programmes made in the UK outside the M25.
- Nations and regions programmes on Channel 3 and the BBC – made and shown in the nations and English regions.
- UK & International News and Current Affairs

In addition, all television broadcasters we license in the UK, including multichannel operators, are also subject to the obligations of the Audiovisual Media Services (AVMS) Directive. This requires that on each channel, the majority of programmes must be European (including from the UK) and at least 10% must be made by independents. Of these, the majority must have been made within the past five years.

Quotas setting minimum levels for subtitling, signing and audio-description for people with sensory impairments also apply to all PSB channels and to all other television services that achieve an average share over a 12 month period of 0.05% or more (subject to passing an affordability threshold and not facing insurmountable technical difficulties).

In June 2013, Ofcom published a statement listing the television channels required to provide access services in 2014. Seventy-five channels are required to provide access

services. These channels account for over 90% of UK TV audience share. We provide bi-annual reports on compliance with the Code on Television Access Services.

Nations & Regions Programmes

Nations and regions programmes are defined as non-networked programmes, produced in the nations and regions specifically for local audiences. They are broadcast on BBC One and Two and Channel 3.

The Act requires us to set conditions to ensure the delivery by Channel 3 licensees of a suitable range of high quality programming of particular interest to persons living within the area covered by the service, including regional news programming. The BBC's quotas for the English regions and nations are set by the BBC Trust and apply across the total volume of regional programming produced in the UK as a whole, rather than individually for each nation and region.

Expenditure

In 2012, £279 million was spent by the BBC and ITV1/STV/UTV on producing first-run originated programmes specifically for viewers in Wales, Scotland, Northern Ireland and the English regions, down by £10 million (or 4%) from 2011 and down by 27% since 2007.

At £26 million, spend by the BBC and ITV on first-run originated TV content specifically for viewers in Wales was down 3% year on year. Spend in Wales decreased by over a third (35%) between 2007 to 2012.

Expenditure per head of population on content for people in Wales decreased by 3% to £8.84 in 2012.

Share of network spend dedicated to Wales has continued to grow, with the figure rising to 3.5% in 2012 from 2.8% in 2011.

Volume

The BBC and ITV1/STV/UTV produced a total of 11,002 hours of first-run originated content for the English regions, Scotland, Wales and Northern Ireland in 2012, down 6% (or 645 hours) since 2011, and down 7% (857 hours) since 2007.

Wales had the largest relative reduction in first-run originated nations' output over the five-year period; down by almost a quarter (24%) since 2007 to 954 hours in 2012.

Over a one-year period, however, the number of first-run originated hours decreased by 6% in Wales.

In terms of volume, producers in Wales delivered 1.7% of all first-run hours in 2012 (up from 1.6% in 2011);

ITV

Following our second PSB review, reductions in ITV Plc's output were agreed. In the devolved nations, quotas for non-network programmes were set at higher levels than those in the ITV English regions. They were standardised at 5 hours 30 minutes a week in Scotland and Wales and 6 hours in Northern Ireland. Within this overall figure, there is a quota of four hours for news and 1 hour 30 minutes for non-news programming (two hours in Northern Ireland).

In 2009, the network production quota for Channel 3 licensees was cut to 35% by spend and volume. ITV Wales has had limited success in supplying programmes to the ITV network in recent years. In practice, the ITV network has been able to meet its “out of London” quota by sourcing programmes primarily from production centres in the English regions. However, ITV Wales supplies around an hour a week of Welsh language programming to S4C on commercial terms.

Channel 3 and 5 Licence Renewal

On 20th February, Ofcom announced that it renewed the broadcasting licences for Channel 3 and Channel 5 for 10 years from 1 January 2015, following acceptance of terms by the licensees. This means that a separate Channel 3 licence for Wales will be in operation from January 2015.

In addition, as a condition for licence renewal, volume of output on ITV Wales will remain unchanged with Wales’ overall news minutage remaining at 4 hours per week. ITV intends to retain the early evening 30 news minute slot, however, they may schedule shorter lunchtime bulletins in line with other English regions, and they have the freedom to schedule the remaining news minutes elsewhere.

The Ofcom Advisory Committee for Wales (ACW) was a leading advocate for the standalone licence citing the following reasons:-

- it recognises the reality of a modern Wales with its own devolved democratic institutions.
- it will help to bring greater accountability to the people of Wales for the service provided by ITV.
- it recognises the heightened role of public service content on public service broadcasting channels in Wales and the need to sustain plurality of programme provision in Wales.

Channel 4 Licence Renewal

The licence for Channel 4 also expires at the end of 2014. Ofcom has the responsibility for renewing the licence, and in doing so must set the licence conditions that it considers appropriate and determine the length of the renewed licence.

On 11 March 2014, Ofcom announced that Channel 4’s licence would be renewed for a ten year period.

Ofcom decided that Channel 4’s quota for programming produced outside of England (in Scotland, Wales and Northern Ireland combined) should triple from its current level of 3 per cent of money spent and hours broadcast to 9 per cent from 2020.

During the consultation period, the Ofcom Advisory Committee for Wales endorsed Ofcom’s proposal to renew the licence for a period of ten years but felt that it was an appropriate time to re-examine the Channel’s commitment to portray and reflect the cultural diversity of all the component countries of the UK to ensure that its role of explaining diversity and minority cultures to the rest of the UK formally extends to the UK’s nations.

The ACW welcomed the fact that Channel 4 had already exceeded its quota of programmes commissioned from the nations (5.4% of spend and 7% of volume against a target of 3%) but felt that given this success, Channel 4 should have had a quota of 12% of its productions from the UK nations by 2020, with an aspiration to achieve this figure well in advance.

BBC

The BBC Trust regulates the whole of the BBC's output. However, some content broadcast on the BBC's UK Public Broadcasting services is regulated not only by the Trust but also by Ofcom. In respect of such content, both organisations have overlapping regulatory jurisdiction.

Ofcom has certain powers to regulate the BBC's licence fee funded television and radio services aimed at audiences in the UK. Ofcom's Broadcasting Code applies in the following areas: protection of under-18s; harm and offence; avoidance of inciting crime or disorder; responsible approach to religious content, prohibition of use of images of very brief duration, fairness and privacy.

In addition, the BBC's commercial services (whether broadcasting to the UK, or from the UK to our international audiences) must comply with the whole of the Ofcom Broadcasting Code.

S4C

S4C is an independent statutory Authority, originally established, in 1982, under the Broadcasting Act 1981 and now regulated by the Communications Act 2003 and the Broadcasting Act 1990.

It is the only publicly-funded Welsh language television broadcaster. Its services are provided under statute by the S4C Authority, which in turn falls under the responsibility of the Department for Culture, Media and Sport (DCMS).

It is the duty of the Authority to ensure that S4C represents a public service for the dissemination of information, education and entertainment. The Authority, as a regulatory body, is also responsible for ensuring that effective management arrangements, including financial management, are in place for S4C's public and commercial services.

The S4C Authority has four main roles: broadcaster, regulator, strategic manager and a public relations role with responsibility for explaining the purpose of S4C.

Ofcom's role in relation to S4C is clearly set out in the Communications Act 2003. The Act requires us to independently regulate certain aspects of the Authority's public services and the most significant is concerned with production quotas.

The BBC and S4C have also agreed an operating agreement which guarantees S4C's editorial and managerial independence while safeguarding appropriate accountability to the BBC Trust for licence fee funding spent by the channel. The BBC will contribute £76.3 million in 2013-14, falling each year to £74.5 million by 2016-17.

The UK Government has agreed to contribute £6.7 million towards S4C's budget in 2013/14, and £7 million in 2014/15, following an agreement that the majority of the channel's budget would be funded through the BBC licence fee.

S4C's remit is to provide a broad range of high quality and diverse Welsh language programming as a "publisher-broadcaster". Unlike, for example, the BBC and ITV, which make a significant proportion of programmes in-house, S4C commissions all of its programming from external suppliers.

In 2012, S4C spent £68 million on first-run commissioned programming in 2012; an 8% fall in nominal terms on 2011. However, in spite of the decline in spend, S4C has recently published a study by Arad which reported that whilst S4C spent a total of £63.7 million with Welsh independent companies last year, it delivered a total economic impact of £124.3 million for the Welsh economy.

The total number of hours broadcast by S4C in 2012 rose by 410 hours to 6,629 hours, which was driven by increases in repeats and first-run commissioned output from independent producers.

In terms of overall first-run commission hours, children's programming and drama experienced steep increases of 45% and 39% respectively, followed by a 12% increase in programming dedicated to light music and entertainment. All other categories, comprising general factual, current affairs, sport and religion, experienced year-on-year declines.

S4C spent a total of £68 million on first-run programming in 2012, an 11% fall in real terms on 2011.

Local TV

The creation of Local TV in the UK has been a policy priority for the UK Government since July 2011 when the UK Government published a new framework for local television which set out proposals to create a number of local television service licences supported by a single multiplex provider.

Ofcom provided information on the locations where local broadcast services might be technically possible together with the numbers of households that we predict may be able to receive those services, and maps showing indicative coverage.

We identified 6 locations in Wales:-

- Cardiff (to include Bridgend/Newport)
- Swansea (to include Llanelli)
- Mold (to include Denbigh/Ruthin)
- Bangor
- Carmarthen
- Haverfordwest

Ofcom's Broadcast Licensing Committee assesses applicants' proposals against the statutory criteria and Ofcom's general duties.

Local services will have specific content obligations, alongside general obligations that apply to all television broadcasters.

Licence applicants will need to describe their programming output and how it proposes to maintain the service for the duration of the licence (up to 12 years) through the submission of a business plan and financial projections.

We do not set quantitative programming requirements but we consider news to be the most important type of local television content. Applicants should propose a reasonable provision of news and current affairs, bearing in mind the public subsidy and public purposes of local TV.

More broadly, we expect local TV services to engage with the local democratic process. Applicants are asked to specifically consider what programming they propose in order to facilitate civic understanding and fair and well-informed debate through coverage of local news and current affairs.

In 2012, Ofcom advertised and awarded the local TV licence for Cardiff to Made TV during Phase 1 of local TV licensing. The channel will be called Made in Cardiff and will have a transmission footprint which includes Newport, the South Wales Valleys and Bridgend, covering 350,000 households. "Made in Cardiff" hopes to launch in the near future.

In the second phase of local TV licensing, Ofcom invited applications for Bangor, Swansea and Mold. Ofcom's Broadcast Licensing Committee has recently considered these applications with licences for Mold and Swansea granted to Bay TV.

In the case of Bangor, the BLC decided not to award the local TV licence to the only applicant, Bay TV Gwynedd. During the Committee's deliberations, it was noted that the proposed commercial business model relied heavily on advertising revenue. Furthermore, the BLC noted the inherent challenges of the Bangor area, which has a coverage of only 16,000 households.

The BLC was concerned that the assumptions made by the application in terms of the advertising revenue per household would be unlikely to be achievable. Therefore, in the BLC's view, the applicant would not be able to maintain the proposed service over the licence period and as a result, Ofcom decided not to award the licence.

Section 6

Radio in Wales

Historically, the radio market has been less developed in Wales than in other parts of the UK, but over the last 40 years, it has found its natural space for consumers alongside television services and has a vital role in fulfilling a range of public purposes – a role shared between the BBC, local commercial radio and more recently the community radio sector.

In recent years, listeners have benefited from significant changes in the way radio services are delivered. Investment in network and digital technology means that there are many more methods of delivery – alongside analogue radio there are now digital technologies including DAB, TV, internet and mobile. An ever increasing proportion of listening is on digital platforms and, whilst the topography of Wales is likely to mean that analogue radio (FM and AM), especially in cars, will continue to be important in the short to medium term.

Ofcom's goal is to ensure that the current regulatory regime is flexible enough to adapt to rapidly changing circumstances and to ensure that the interests of citizens and consumers continue to be met.

Our aim is to ensure that regulatory burdens are not heavier than required, or worse, counter-productive, threatening the viability of stations. The central challenge for regulation is to secure any elements of public value that the market will not deliver in the light of financial realities, while at the same time creating an industry structure for the future.

Consequently, we have already taken steps to reduce the regulatory burden on the commercial radio sector and attempted to align the analogue and digital regimes more closely, while taking into account our duties set out in legislation, in relation to the regulation of radio.

These include:

- Promoting the interests of citizens and consumers;
- Ensuring a wide range of high-quality radio programmes are provided, appealing to a range of tastes and interests;
- Ensuring radio services are provided by a range of different organisations;
- Ensuring, for each local station, an appropriate amount of local material with a suitable proportion of that material being locally made - fulfilling the need for local news to ensure informed debate.
- Ensuring people who listen to the radio are protected from harmful or offensive material;
- Ensuring people are protected from being treated unfairly in radio programmes, and from having their privacy invaded;

The Provision of Radio in Wales

Listeners in Wales can access radio services through a variety of platforms and technologies including traditional analogue radio, DAB digital radio, digital television and the internet.

Ownership of analogue radio is almost universal, while listening on digital platforms such as DAB, digital television and the internet is growing as is listening on mobile phones, tablets or by podcasts on MP3 players.

The BBC provides two national services for Wales: Radio Wales in English (on AM, FM and DAB) and Radio Cymru (on FM and DAB) in Welsh. In addition, there are 17 commercial analogue radio stations licensed to broadcast in Wales and 12 licensed community radio stations (8 currently on air).

Listeners in Wales now have access to up to 75 radio services following the launch of the new local DAB multiplex for North Wales in April 2013 and Mid & West Wales in August 2013. The local DAB multiplex for North West Wales is expected to launch later this year.

BBC Radio Wales & Radio Cymru

In addition to the BBC's network radio stations which broadcast to the whole of the UK, the BBC provides two national services for Wales, Radio Wales in English and Radio Cymru in the Welsh language.

Radio Cymru's FM service covers 95% of the population. However, Radio Wales' FM coverage is more restricted at 67% due to the lack of suitable frequencies.

BBC radio stations account for 61% of all listening hours in Wales, a higher share for this sector than in any other UK nation. Over half (51%) of all listening hours were to the BBC network stations, again higher than in any other UK nation and higher than the UK average of 46%.

Radio Wales' weekly reach of 499,000 in August 2013 is its highest for over six years and it has seen an increase of 55,000 listeners compared to the previous year. Radio Cymru has also seen an increase in listeners up from 24,000 on the previous Radio Joint Audience Research (Rajar) report with a weekly reach of 143,000.

Wales: BBC Radio Stations

Station	Group	Population (000s)	Reach (000s) %	Listening Share (%pp change)
Total BBC Wales	BBC	2580	559 22%	10.7 (+0.4)
BBC Radio Wales	BBC	2580	466 18%	7.8 (+/-0.0)
BBC Radio Cymru	BBC	2580	140 5%	2.9 (+0.4)

Spend on BBC Radio Wales and BBC Radio Cymru totalled £36.4 million in 2012/13. Expenditure per head was the second highest of the UK nations at £11.88, an increase of £0.71 on the previous year. This is due to the smaller population in Wales and the added expenditure of running two services. It compares to the UK average spend per head of £3.98.

Commercial Radio in Wales

Wales is currently served by the following local and regional commercial radio stations:

Wales: Commercial Radio Stations

Station	Group	Population (000s)	Reach (000s) %	TSA Share %pp)	Listening (Inc/Dec %pp)
Real Radio	Global	2,580	491 19%	7.9%	(+1.0)
Real Radio South	Global	1,884	424 24%	9.3%	(+1.2)
Real Radio North	Comm.	697	67 10%	4.0%	(+0.8)
Kiss West	Bauer	2,410	492 20%	5.4%	(-0.8)
Capital FM	Comm.	1,030	212 21%	6.7%	(-1.5)
Gold South	Global	1,030	49 5%	1.7%	(-1.1)
Gold North	Global	1,027	23 2%	0.4%	(-0.7)
Heart N. Wales	Global	1,027	212 21%	8.5%	(+1.5)
The Wave	UTV	472	150 32%	12.9%	(+0.2)
Swansea Sound	UTV	472	57 12%	5.2%	(+0.2)
Nation Hits	T&C	472	38 8%	2.0%	(-0.2)
Bridge FM	T&C	128	38 30%	11.8%	(+0.3)
Radio Pembrokeshire	T&C	101	45 45%	19.5%	(-0.5)
Radio Carmarthenshire	T&C	132	44 33%	11.8%	(-0.6)
Nation Radio	T&C	1,507	150 10%	2.3%	(-0.2)
Radio Ceredigion	T&C	79	19 24%	6.7%	(-0.4)
Town & Country (All)	T&C	1726	303 18%	6.0%	(-0.5)

According to Ofcom's Communications Market Report 2013, the share of listening of local commercial radio stations in Wales was at a quarter (25%) with a further 12% tuning into UK-wide commercial stations. The share of listening hours for local commercial stations was lower than all the other UK nations with Scotland at 38%, Northern Ireland at 36% and England at 30%.

Revenue generated by the commercial stations in Wales totalled £17.7 million in 2012. Adjusting for population size, Wales had the lowest revenue per head of the UK nations, at £5.78, despite a £0.10 increase on 2011.

Commercial Radio in Wales - Recent Developments

In June 2012, Global Radio acquired the outstanding share capital in GMG Radio (re-named Real and Smooth Ltd). Following the acquisition, the then Secretary of State for Culture, Media and Sport, Jeremy Hunt, asked Ofcom to investigate and to report to him with advice and recommendations. We did not identify any substantive plurality concerns resulting from the transaction.

However, in October 2012, the Office of Fair Trading referred the merger to the Competition Commission and in May 2013, it decided that Global Radio must sell radio stations in seven areas of the UK, including Cardiff and North Wales.

It has recently been announced that, subject to Competition Commission approval, Communicorp is to acquire eight radio stations from Global Radio including Capital South Wales and Real Radio North Wales.

Under a brand licensing agreement, Communicorp intends to rebrand the 'Real' stations under the 'Heart' franchise.

Therefore, Real South Wales and Real North Wales will be rebranded as Heart. However, at the moment, there are both Real Radio and Heart Radio in North Wales. As part of the plans, the Real station in North Wales will become Heart and Global will apply for the existing three Heart stations to be rebranded as Capital.

Community Radio in Wales

Community radio stations typically cover small geographical areas with a coverage radius of up to 5 kilometres. Nearly 280 community radio stations are now broadcasting in locations across the UK.

In Wales, there are currently twelve licensed services and 8 currently on air.

Community Station	Location	On-Air Date
GTFM Pontypridd	Pontypridd	01/01/2006
Radio Cardiff	Cardiff	08/10/2007
BRfm	Bryn-mawr	18/10/2007
Calon FM	Wrexham	01/03/2008
Tudno FM	Llandudno	12/07/2008
Radio Tircoed	Tircoed Forest	01/12/2008
Bro Radio	Barry	31/03/2009
Point FM	Rhyl	24/03/2010

In April 2012, Ofcom awarded four new community radio licenses in the third round of community radio licensing in Wales.

- Glan Clwyd AM (Abergele and St Asaph, North Wales)
- Harlech FM (Harlech, Gwynedd)
- Môn FM (Isle of Anglesey)
- Radio Beca (Carmarthenshire, Ceredigion and north Pembrokeshire)

The award of Radio Beca was an important moment in the licensing of community radio in that the BLC decided to dispense with the usual criteria to award a licence with a coverage area of 5 kilometres. It agreed to licence Radio Beca with a wider coverage area in order to treat the Welsh language as a community of interest.

Ofcom currently has no plans to invite further applications for community radio licences in Wales. We are currently in the middle of our third round of licensing, and will not be in a position to consider a further round in Wales until we have concluded the third round in other regions of the UK.

In awarding a community radio licence, the Broadcast Licensing Committee assess applications against a range of criteria, which include the ability to maintain the service; deliver social gain; cater for the tastes and interests of the relevant community; broaden choice; and be distinctive from services which overlap.

Community radio stations are run on a not-for-profit basis and can cater for whole communities or for different areas of interest. They rely heavily on volunteers to make them viable.

Licenses last for up to five years and licensees have up to two years from the license award to get on air. Towards the end of each period, the group can apply for another licence. In the case of the four recently licensed stations which are yet to begin transmission, we have granted an extension to enable them to get on air.

Funding can come from a number of sources. We will usually allow stations to include a certain amount of advertising and sponsorship in their broadcasts. However, at least half the station's income must come from other areas.

However, some restrictions exist. If a community radio station overlaps with a local commercial radio licence with a coverage area of 150,000 adults or fewer, the community radio station is prevented from taking any income from on-air advertising or sponsorship.

On 13th February, the DCMS published a consultation on policy proposals to relax current financial restrictions on community radio. The Consultation closes on 23 April 2014.²

Since 2008, the Welsh Government Community Radio Fund has provided a share of £100,000 funding to support community radio stations across Wales. However, following a review and after five rounds of funding, the fund has recently been discontinued by the Welsh Government.

Ofcom also administers a DCMS Community Radio Fund of up to £500,000 per annum. The Fund has been established to give grants to help fund the core costs of running community radio stations and grants can only be made to community radio licensees which are already broadcasting under a community radio licence.

² DCMS: Community Radio Consultation - <https://www.gov.uk/government/consultations/community-radio-consultation>

Digital Radio in Wales

Digital Radio is already broadcast on digital television: Digital Terrestrial Television (DTT), Digital Satellite and Digital Cable. It is also possible to listen to digital radio online either via a computer or through portable devices such as internet radios or smartphones. However, the main portable stand-alone platform for digital radio is Digital Audio Broadcasting (DAB), which is the platform generally regarded by the radio industry as the main, free-to-air, free at the point of use, replacement for analogue radio in the UK.

Unlike conventional AM and FM radio, which provides one radio service per frequency, DAB is delivered via a multiplex which uses one frequency to provide a number of digital radio services.

DAB radio is currently delivered across Wales via the UK BBC multiplex and the Digital One multiplex, owned by Arqiva. At present, for technical reasons, it is not possible to vary the service line-up on the UK multiplexes to carry services specifically for Wales. Therefore, the BBC UK multiplex does not carry Radio Wales or Radio Cymru. In effect these services are treated instead as 'local services' on local commercial multiplexes.

South Wales is served by two local commercial multiplexes serving Cardiff/Newport and Swansea, North East Wales is served by a new DAB multiplex which was launched in April 2013 and Mid & West Wales is served by a new multiplex which launched in August 2013. Local commercial multiplexes must carry the BBC's national/local radio services. Therefore, in Wales, under the must-carry arrangements, BBC Radio Cymru and Radio Wales are carried on the four existing local commercial multiplexes. The local commercial multiplex for North West Wales is expected to launch later in the year.

Take up of digital listening in Wales has grown by over a fifth in the past three years but over two-thirds of listening remains on analogue. Across Wales, 27% of adults claim to own at least one DAB digital radio set, compared to the UK average of 41%.

Digital Radio Upgrade

In March 2011, the UK Government published a Digital Radio Action Plan (DRAP)³, the aim of which is to provide the information to allow for a well-informed decision by the UK Government on whether to proceed with a radio switchover. Ofcom was asked to chair a DAB coverage and spectrum planning group to determine the current level of FM coverage and develop a range of options to increase DAB coverage to match FM.

The DRAP states that a decision on a Digital Radio Switchover can only be made once: 50 per cent of all listening is to digital; UK-wide DAB coverage is comparable to FM; and local DAB reaches 90 per cent of the population and all major roads. Digital listening is currently 35.6 per cent in the UK.

Ofcom believes that it is important that the consumer experience of DAB reception and coverage post-switchover should at least match that of FM. Ofcom has defined a set of local DAB editorial areas based on FM coverage for the largest commercial service, the BBC local/nations' service (BBC Radio Cymru) and the combined composite coverage of these services for indoor portable and in vehicle reception. This means that a particular location is regarded as being covered by local FM radio if it is predicted that it can receive the local BBC service, the local commercial service or both.

³ DCMS: Digital Radio Action Plan - <https://www.gov.uk/government/publications/digital-radio-action-plan>

Wales has been divided into four local editorial areas (Cardiff, Mid & West Wales, North Wales & West Cheshire; Swansea). BBC Radio Wales and BBC Radio Cymru will be expected to be carried on all of the local multiplexes in Wales.

For in vehicle DAB listening, we have planned for reception in 99% of locations for 99% of the time. The more stringent planning criteria for DAB than for that used for FM (50% of locations for 50% of the time) means that we are aiming to provide robust DAB coverage in areas with only marginal FM reception. It will be for the UK Government to decide the appropriate level of DAB transmitter build out that will be required in the event of digital radio switchover.

Next Steps

The current position is that the UK Government has said that now is not the time for a digital radio switchover and outlined a package of measures that will provide more people with access to digital radio.⁴

The package of measures includes:

- up to £21m of new investment from the BBC, UK Government and commercial radio to extend digital radio coverage.
- UK Government funding for Ofcom to develop ways for smaller radio stations to go digital;
- Ofcom will advertise the licence to build and run a second national DAB multiplex to allow new UK-wide commercial stations to launch;
- A new partnership between Digital Radio UK, the Driver and Vehicle Licensing Agency and the Driver and Vehicle Standards Agency to provide people with information on upgrading their car radio;
- Ofcom will review music format rules to see if these can be relaxed to give industry greater freedom to adapt to changing consumer tastes and to ensure competition.
- The UK Government and Ofcom will also look more closely at other regulations around radio to ensure they are fit for a digital age;

⁴ DCMS: More listeners to get digital radio choice - <https://www.gov.uk/government/news/more-listeners-to-get-digital-radio-choice>

Section 7

Telecoms

The past decade has seen significant investment in broadband and mobile networks, which has led to healthy competition, high consumer take-up and steadily increasing broadband and mobile speeds. Broadband and mobile telecoms are rapidly emerging as essential services in society, with increasing economic and social importance.

Ofcom's European Broadband Scorecard shows that the UK leads the EU's five biggest economies on most measures of coverage, take-up, usage and choice for both mobile and fixed broadband, and performs well on price.

The report finds that the availability of superfast broadband has increased in the UK from around 60% at the end of 2011 to 73%. This has taken the country from third to first for coverage among the 'EU5' (France, Germany, Italy, Spain and the UK).

Among the EU5, using the most recent comparable data, the UK has:

- highest broadband take-up (all types, by household), at 83%;
- highest proportion of people to have bought goods online over a year (77%);
- highest weekly usage of the internet (87%);
- lowest proportion of people who have never used the internet (8%).

However, a step-change is needed in order to increase broadband speeds further, and this requires significant new investment.

Our aim is to provide a regulatory framework that gives confidence to potential investors, enabling them to make a case to roll out new superfast fixed broadband and mobile telephone networks. At the same time, we want to enable competition in the emerging markets so that consumers can benefit from a choice of services and providers.

Communications Infrastructure

In October 2013, Ofcom published its UK Infrastructure Report update which provides a snapshot of the state of the UK communications infrastructure. Alongside the Annual Communications Market Report for Wales, the information in the Infrastructure Report is intended to provide an objective evidence base for both the development of public policy, and individual consumer choice.

As highlighted in our Communications Market Report, consumers are demanding more from communications networks. They are connecting more devices and using more services than ever before and are increasingly multitasking – using multiple devices and multiple services at the same time.

For the networks which underpin the provision of all communications services, there are significant implications on the ability of existing networks to support current demand and shifts in consumer behaviour.

The UK is currently in a phase of significant investment in new networks and technologies.

Over the last year notable infrastructure developments have included:

- strong growth in availability and take-up of superfast broadband;
- the initial deployment of new 4G mobile broadband networks;

These developments (both considered below) have largely been driven by private sector investment. However, the business case for building communications networks in some of the more rural parts of the UK can be challenging.

In recognition of this, the UK Government and Welsh Government have intervened to substantially extend the reach of superfast broadband, and Ofcom has included a demanding coverage obligation in one of the 4G spectrum licenses. As a result, we expect there to be near universal availability to UK households of next generation fixed broadband and 4G mobile services. The precise date is difficult to predict at this stage, but we expect it to be significantly before the target date of 2020 which has been set by the European Commission, with many of the most rural households seeing improved availability between 2015 and 2017.

Broadband in Wales

According to the latest figures from Ofcom's Communications Market Report for Wales 2013, 66% of people have access to broadband in Wales, ranging from 64% in urban areas to 73% in rural areas of Wales. This is below the UK average of 75%.

Consumers in Wales over the age of 65 (35%) and those living in households with an annual income of less than £17,500 (47%) were the least likely to have broadband access. 52% of those over age 55; 67% of those between 16 and 34; 52% of those in C2DE households; and 77% of households with children have broadband.

There are two major access networks for fixed-line broadband in Wales: BT's copper telephone network (which is used by a range of commercial suppliers, including BT Retail, Talk Talk and Sky) and Virgin Media's cable network. Satellite and wireless technologies (both fixed and mobile) can also provide broadband services.

Openreach, a division of BT Group, is responsible for managing and maintaining BT's existing copper lines and infrastructure running from exchanges to premises (also known as the "local loop") which are used by communications providers (in addition to BT Retail) to provide broadband services, either via wholesale capacity from BT or through direct infrastructure investment at individual exchanges.

Virgin Media's fibre optic cable broadband network can offer speeds up to 100 Mbps. However, access to the network is limited to 22% of premises in Wales, mainly in Cardiff, Newport and Swansea.

Broadband access over the existing copper telephone network is limited in practice to premises situated up to around 5 km from an exchange. Whilst BT estimates that 100% of premises in Wales are able in theory to obtain broadband speeds of at least 512 kbps through its copper network, not all households are able to receive a broadband service due to: the length of the line from the exchange to a customer's premises; the number of people connected to the same exchange who are logged on to the internet concurrently; and local technicalities.

As such, "not-spot" areas remain where, despite being connected to a DSL-enabled exchange, people are unable to receive broadband. According to Ofcom research, 16% of premises in Wales are situated further than 5 km from an exchange and 12% of connections

in Wales receive less than 2 Mbit/s, four percentage points higher than the UK average (8%).

In order to combat this, since July 2010, the Welsh Government's Broadband Support Scheme has offered up to £1,000 for eligible consumers who live in not-spots and slow-spots (less than 2 Mbit/s) to directly approach alternative providers such as (wireless or satellite ISPs) to improve their broadband.

The average broadband speed in Wales has trebled in five years from 3.3 Mbit/s in 2008 to 13.2 Mbit/s in 2013. Average speeds range from 22 Mbit/s in urban areas, 13 Mbit/s in semi-urban areas and 6 Mbit/s in rural areas.

Promoting Competition in Telecoms Markets

An important component of a well-functioning telecoms market is healthy competition; establishing and maintaining this has been Ofcom's focus since its creation nearly ten years ago.

Today there are some good indicators of competition. For example, we have just passed the 9 million mark for the number of 'unbundled' lines. This is where rival communications providers offer services over BT's copper telephone network. Wales had the second highest availability of LLU broadband at the end of 2012, when 93% of premises were connected to an LLU-enabled BT local exchange.

At the retail level, there are also many different providers offering broadband services to consumers in Wales.

To maintain and promote healthy fixed-line competition, Ofcom periodically reviews various markets in order to assess whether any communications providers have a position of significant market power (SMP) and in order to assess the regulatory remedies that might be required.

Reviews of the UK Wholesale Local Access (WLA) and Wholesale Broadband Access (WBA) markets have aimed to safeguard effective competition in wholesale markets which in turn underpins the choice in retail offers available to consumers.

We have imposed a number of remedies with the aim of ensuring that BT provides access to its network to other communications providers and bring about reduced prices, greater competition and benefits for consumers.

These are:

- Sub-Loop Unbundling (SLU) – an existing remedy, which allows communications providers to physically take over (or share) BT's existing copper lines between street cabinets and customer premises. This remedy allows providers to deploy Fibre to the Cabinet (FTTC) technology where they consider this to be economic.
- Virtual Unbundled Local Access (VULA) – which must be provided by BT wherever it has deployed its Next Generation Access (NGA) network (both Fibre to the Cabinet (FTTC) and Fibre to the Premises (FTTP) and will provide access to that network in a way similar to how Local Loop Unbundling (LLU) provides access to BT's copper access network but through a 'virtual connection' that gives communications providers a dedicated link to their customers.

- Physical Infrastructure Access (PIA) – allows communications providers to deploy fibre in the access network using BT’s ducts and poles to support deployment of either FTTC or FTTP technology. PIA is designed particularly to support superfast broadband availability in areas that will not be covered by BT’s NGA rollout.

Wholesale Broadband Access (WBA) relates to the broadband products and services communications providers provide for themselves and sell to each other. In July 2013, Ofcom published a consultation in relation to the wholesale broadband access in which we set out specific charge control proposals, including the nature, form and duration of the proposed charge controls for WBA products within the geographic market (Market A) where we proposed BT had significant market power (SMP).

Next Generation Access/Superfast Broadband

According to Ofcom’s 2013 UK Infrastructure Report update, 48% of premises in Wales have access to NGA network. Whilst this figure still lags behind the UK average of 73% and 96% in Northern Ireland, it represents an 11 percentage point year-on-year increase. However, only 9% of rural settlements in Wales currently have next generation access.

Superfast broadband optical fibre networks are being rolled out in the UK. They can theoretically provide nearly unlimited bandwidth potential depending on how close the fibre is brought to the end-user. There are two main types of fibre deployment: Fibre to the Cabinet (FTTC) and Fibre to the Premises (FTTP), where fibre is run directly to the customer’s premises.

In 2010, Ofcom introduced a regulatory framework to help kick-start superfast broadband. To allow other providers to compete in the supply of retail superfast broadband, BT is required to offer ‘virtual’ unbundled access to its superfast fibre network. Virtual unbundling is available in all areas where BT has a superfast network. At the current time, we expect most operators to use this when providing superfast broadband rather than investing in their own networks.

BT is also required to provide access to its underground ducts and telegraph poles to give other operators the option to invest in their own superfast broadband networks.

A key part of our regulatory approach is to give pricing flexibility to operators who do invest in new superfast broadband networks. This is in recognition of the new and risky nature of this type of investment. Furthermore, we believe that superfast broadband and current-generation copper-based broadband services are currently in the same market. In real terms this means that prices of superfast services are constrained by the prices of the copper-based alternative.

The deployment and adoption of superfast broadband services continues apace. The regulatory framework which Ofcom put in place three years ago is beginning to bear fruit and benefits are flowing through to consumers. Companies are investing in network upgrades and in new superfast networks. For example, BT has committed £2.5 billion to the roll-out of superfast broadband across the UK and has already started to roll out fibre to the cabinet services in the more populated urban areas of Wales. However, the commercial case for private sector rollout to the more remote rural areas of Wales is challenging and public sector intervention has been required to reach the so-called “final third” of consumers.

Public Sector Intervention

Superfast Cymru

In July 2012, the Welsh Government signed an agreement with BT to deliver the Superfast Cymru project which will ensure that 96% of residential premises and all businesses in Wales will have access to superfast broadband by Spring 2016.

The project will see £425 million invested to expand high-speed broadband throughout Wales, comprising European Regional Development Fund (ERDF) funding of £89.5 million, UK Government funding of £56.9 million, Welsh Government funding of £58.6 million and BT's investment of £220 million. It has also recently been announced that an additional £12 million of UK Government funding will be made available to expand superfast broadband in remote parts of Wales.

The main technology to be deployed will be Fibre to the Cabinet (FTTC). The agreement also requires BT to commit to delivering ultra-fast speeds of up to 330 Mbps to certain areas through the use of Fibre to the Premises (FTTP) technology.

The Welsh Government has also extended its Broadband Support Scheme to dovetail with the Superfast Cymru programme. In 2013, the Welsh Government launched Access Broadband Cymru as a successor scheme to the Broadband Support Scheme. The scheme will close on 31st March 2016.

Ofcom has committed to providing technical advice and support to the UK and Welsh Governments in intervening to ensure superfast broadband is available to at least 90% of UK homes by 2015. This complements the regulatory framework which we introduced in October 2010 to support investment and competition by giving other providers access to BT's infrastructure and providing pricing flexibility to providers that invest in superfast broadband.

Mobile

Take-up

Research from Ofcom's Communications Market Report suggests that 92% of UK adults had a mobile phone in Q1 2013.

In Wales, 23% of households solely rely on their mobile phones to make and receive calls in the home, a significantly greater proportion than the UK average (15%).

Smartphone adoption has also increased in Wales with over half (54% of mobile phone users in Wales) using a smartphone, a 12 percentage point increase compared to 2012.

2G

While mobile use is widespread, there are still areas of the country where a lack of network coverage means that making mobile phone calls, sending text messages or accessing the internet over a cellular network is not possible. These areas which are referred to as mobile "not-spots" are often characterised by low population density and/or undulating terrain, and present physical and economic obstacles that may deter mobile network operators from installing mobile phone masts in these areas. In other areas of the UK, some operators have installed masts and provide a mobile service where other operators do not have a presence, leading to the creation of partial not-spots.

In June 2013, 98.8% of premises in Wales had outdoor 2G coverage.

94.1% of UK premises have outdoor coverage from all three UK 2G network operators (EE, O2 and Vodafone). In total 99.6% of UK premises were in areas where at least one mobile network provided outdoor 2G coverage, suggesting that 0.4% of UK premises (around 100,000 premises) are in areas without any 2G mobile coverage.

In June 2013, Wales had the second lowest proportion of premises with outdoor coverage from all three 2G networks (87%), while 1.2% of premises in Wales (around 20,000 premises) were in areas without 2G coverage.

3G

Our analysis suggests that 99.1% of UK premises were in areas where there was outdoor 3G mobile coverage in June 2013, while 0.9% were in areas without any 3G mobile reception, equivalent to around 260,000 premises.

Wales has the second highest proportion of premises in areas with outdoor 3G coverage from at least one Mobile Network Operator (MNO) at 97.7% although it has the lowest proportion of premises with similar coverage from all four 3G networks (56.9%).

Mobile Coverage (Geographic & Premises)

Mobile Coverage on Geographic coverage and premises								
	2G				3G			
	Geographic coverage		Premises coverage		Geographic coverage		Premises coverage	
	no signal from any operator	signal from all operators	no signal from any operator	signal from all operators	no signal from any operator	signal from all operators	no signal from any operator	signal from all operators
England	4.6%	72.8%	0.2%	95.2%	6.0%	32.7%	0.5%	82.6%
Scotland	26.2%	41.7%	0.7%	91.9%	50.5%	4.9%	3.4%	69.8%
Northern Ireland	8%	56.5%	1.5%	81%	13.3%	16.7%	2.6%	62.9%
Wales	15.7%	52.8%	1.2%	87%	21.9%	11.49%	2.3%	58.4%
UK	12.7%	62.4%	0.4%	94.1%	22.9%	21%	0.9%	79.7%

Mobile Coverage on Roads

Mobile Coverage on Roads								
	2G				3G			
	Motorways		A&B Roads		Motorways		A&B Roads	
	no signal from any operator	signal from all operators	no signal from any operator	signal from all operators	no signal from any operator	signal from all operators	no signal from any operator	signal from all operators
England	0%	99%	1%	88%	0%	78%	3%	50%
Scotland	0%	99%	8%	65%	0%	58%	28%	15%
Northern Ireland ⁵¹	N/A	N/A	6%	63%	N/A	N/A	10%	21%
Wales	0%	97%	7%	66%	0%	79%	11%	20%
UK	0%	99%	4%	77%	0%	76%	9%	35%

2G and 3G Mobile Not-spots

The UK Government's £150 million Mobile Infrastructure Project is expected to boost mobile coverage in those areas with poor or no 2G (voice) service. Arqiva has been selected as the company which will deliver the project to extend coverage to up to an additional 60,000 premises and along at least ten key A roads (including the A470 in Wales).

Arqiva has recently announced that large parts of Mid Wales (Powys and Ceredigion) will be among the first UK areas to benefit in Phase 1 with the remainder of North Wales in Phase 2 and parts of Pembrokeshire and Carmarthenshire in Phase 3. The first of the new sites should "go live" in the near future.

Ofcom is also continuing to explore with mobile network operators ways to improve coverage more generally, with a particular focus on resolving partial not-spots. The on-going commercial infrastructure sharing such as Project Beacon, the announced radio access network sharing agreement between Vodafone and O2, and EE's consolidation of Orange and T-Mobile network infrastructure is expected to resolve around three-quarters of 2G partial not-spots which will eventually deliver a significant improvement in consumers' perceptions and experiences of mobile coverage.

However, some consumers across Wales, especially in Powys, have experienced some or even complete loss of service following network integration. Following investigation, problems have been attributed to a technical fault and the majority of problems have now been rectified.

Ofcom is continuing to engage actively with mobile network operators to understand how their coverage and quality of service is changing as they go through challenging network change programmes.

Ofcom has also been investigating whether the encouragement of more extensive infrastructure sharing or the instigation of some form of targeted national roaming obligation could be candidate interventions to address the remaining partial not-spots without undermining incentives for mobile network operators to increase their own network deployment. This is however, a very complex area, and whilst international precedents do exist for mandatory roaming, in most cases they are not directly comparable to the UK position.

4G

In 2012, Ofcom conducted the largest ever auction of spectrum for mobile services in the UK, laying the path for a number of next-generation 4G networks to be rolled out, benefiting consumers and businesses across the UK.

The auction offered the equivalent of three-quarters of the mobile spectrum in use today across two separate frequency bands, 800 MHz and 2.6 GHz. This represented some 80 per cent more than was released in the 3G auction that took place in 2000.

The lower frequency 800 MHz band is part of the 'digital dividend' - the spectrum which was freed up by digital television switchover, which is ideal for mobile coverage. The higher frequency 2.6 GHz band is ideal for delivering the capacity needed to deliver faster speeds.

This combination of low and high frequency spectrum creates the potential for 4G mobile broadband services to be widely available across the UK, while offering capacity to cope with significant demand in urban centres.

In July 2012, we published our statement detailing the auction design and the measures taken to ensure a positive outcome for UK consumers. Ofcom reserved a minimum amount of spectrum in the auction for a fourth operator, believing that consumers are likely to benefit from better services and lower prices if there are at least four credible national wholesalers of 4G mobile services. Additionally, to ensure the wide availability of 4G mobile broadband services, Ofcom attached a 98 per cent (95 per cent in each of the nations) indoor reception coverage obligation on one of the 800 MHz spectrum lots to be auctioned.

The inclusion of a coverage obligation means that 4G coverage will extend far beyond that of existing 3G services, covering 98 per cent of the UK population indoors by the end of 2017.

The five winning bidders included the existing four national wholesalers of mobile services in the UK as well as Niche Spectrum Ventures Ltd (a subsidiary of BT) which won spectrum in the 2.6 GHz band. Telefonica, which operates the O2 mobile brand in the UK, won the spectrum with the attached coverage obligation.

In August 2012, Ofcom also approved an application by Everything Everywhere (EE) to use its existing 1800 MHz spectrum to deliver 4G services. EE launched 4G services in October 2012 in a number of UK cities including Cardiff.

As the availability of next generation services improves, there will be an increased focus on quality of service and the resulting consumer experience. We will therefore also be undertaking further work to explore how the quality of experience on mobile networks can be measured and the extent to which it varies between operators and in different parts of the UK. We plan to conduct research to measure the performance of 3G and 4G networks, by operator, to help consumers make informed purchase decisions and better understand the performance benefits of 4G over 3G mobile services. The results are expected to be published later this year.

Section 8

Post

On 1 October 2011, Ofcom took over regulation of the UK's postal services from the previous regulator Postcomm. Ofcom is responsible for safeguarding the UK's Universal Service Obligation on postal services and determining the needs of postal users.

UK consumers and businesses benefit from the 'universal postal service', which requires Royal Mail to deliver to every address in the UK six days a week at affordable and uniform prices.

Ofcom's primary duty in relation to postal regulation is to carry out its functions in a way that it considers will secure the provision of the universal postal service in the interests of consumers and users of postal services.

Ofcom also has a legal duty to carry out an assessment on whether the postal service is meeting customers' needs.

Market Trends

Postal habits are changing across the UK, as are the needs of consumers. People are using postal services to communicate less as they turn to other ways of keeping in touch, such as the internet, email, telephone and text. The increase in internet shopping means consumers are placing greater focus on packet and parcel services.

The UK Communications Market Report 2013 found that whilst overall retail spend in the UK increased by just 0.1%, the average weekly spend on online retail purchases increased by 20.5%. This growth has led to shifts in the nature of the residential postal service, as more people are ordering items to be delivered at home and using a range of delivery providers.

UK mail revenue has increased for the second year in a row. In 2012, total mail revenues grew by 7% to £7.2 billion. This rise is partly due to increases in the prices charged by Royal Mail, which took effect in April 2012.

However, addressed mail volumes fell by 5.9% in 2012 to 15.7 billion items. This is a 27.4% decline since 2007.

In order to support our duty to safeguard the universal postal service in the UK and to support our ongoing monitoring regime, we have started a programme of market research to ensure that we have constant access to up-to-date consumer metrics on the postal market. This includes two separate surveys to track use of, and attitudes towards, post: one focused on residential consumers and the other on business consumers. The tracker began in July 2012.

Review of Postal User Needs

As part of our gathering of evidence and review of the reasonable needs of postal users, we have carried out extensive market research

We have sought users' views on the postal service and their requirements from it, particularly in relation to any areas where there may be shortfalls, or where elements of the service may no longer be needed.

The market research was the most comprehensive ever published on the universal postal service in the UK, based on a combination of surveys and discussions with both residential users and businesses.

We surveyed over 4,000 people, 1,000 businesses and held workshops across the UK. We interviewed 448 residential users and 101 businesses in Wales and held workshops in Caernarfon and Swansea.

As a result of this research and in line with our duties to safeguard the universal service, we concluded that we should make no changes to the scope of the universal postal service at the current time.

New Regulatory Framework

On 27th March 2012, Ofcom put in place a new regulatory framework which proposed to grant Royal Mail pricing freedom coupled with key safeguards to ensure that it would have strong incentives to improve efficiency and to protect vulnerable consumers.

Ofcom gave Royal Mail the freedom to set its own prices in order to respond to a rapidly changing market and safeguard the universal postal service. Ofcom also protected vulnerable consumers by imposing a cap on the price of Second Class stamps. Accordingly, we set a 55p cap on the price of Second Class stamp Letters which would be increased by CPI inflation.

On 28th February 2014, Royal Mail announced increased stamp prices. First Class stamps for standard letters will increase by 2p to 62p and Second Class stamps for standard letters will increase by 3p to 53p. Price increases will take effect from 1st April 2014.

In October 2013, the UK Government sold the majority of its shares in Royal Mail. The sale did not change the regulatory framework under which the company operates, nor its requirement to meet quality of service targets.

New Safeguards

We have also consulted on new protections to ensure that everyone continues to have access to local post boxes across the whole of the UK, including those in rural communities; and consulted on guidance which set out our approach to assessing the need for regulatory intervention in relation to end-to-end competition in the postal sector, while being aware of the potential implications such competition may have for the universal service.

Royal Mail is required to provide a sufficient number of post boxes in appropriate locations to meet the needs of UK postal users. Specific criteria on the location and density of post boxes set out how Royal Mail must meet its obligation.

Before the new criteria came into force, major cities such as Swansea were not protected but now, both rural and urban areas are afforded greater protection against the removal of post boxes under the new rules which says that there must be a post box within half a mile of at least 98% of 'delivery points' (usually the letter box of an address) nationally; and for the remaining 2% of delivery points, Royal Mail must provide sufficient post boxes or other means of access to the universal service (e.g. collection on delivery) to meet the reasonable needs of users.

End-to-end competition also has the potential to affect the provision of a universal postal service, and where, in the light of the available evidence, Ofcom considers that such a

service is threatened, it has the powers to take regulatory action to secure it where necessary and appropriate.

In the UK, the postal market was fully opened to competition in 2006. Operators other than Royal Mail, such as TNT or UK Mail, delivered 18 million letters in 2012 – less than 0.2% of the addressed letter market. Although this is a very small market share, it is more than double the amount of items delivered by other operators in 2011.

While end-to-end competition could potentially provide powerful incentives on Royal Mail to reduce its costs across the full length of the value chain, it also has the potential to pose a threat to the sustainability of the universal service in that it would remove revenue from Royal Mail. Given the ongoing nature of our duty to protect the universal postal service, if circumstances change, it may be necessary to intervene at some point in the future and we have published guidance on how we would undertake an assessment if this were to occur.

In 2012, Ofcom also gave approval for Royal Mail to roll out its 'delivery to neighbour' scheme across the UK. The scheme will allow Royal Mail to leave certain mail items with a neighbour in the event that consumers are not at home to receive them themselves, although an addressee may choose to opt-out of the scheme. Ofcom has monitored the implementation and effectiveness of the service closely, including the level of consumer complaints. Satisfaction with the scheme has thus far been very high.

Quality of Service

As the designated provider of the universal postal service (USO), Royal Mail must, among other things, undertake collection and delivery services six days per week and meet minimum quality of service targets. This obligation comes in the context of falling mail volumes but increasing revenue.

Ofcom's annual monitoring report, the second annual report since the new regulatory framework was introduced in March 2012, examined aspects of Royal Mail's financial and operating performance, the effect of competition and the satisfaction of postal users. The report helps Ofcom to meet its primary duty of securing the universal postal service, which was under threat when Ofcom began regulating the sector.

Ofcom's Annual Monitoring Report recently found that the universal postal service is now moving closer to long-term financial sustainability, following improvements in performance at Royal Mail.

However, the report shows that Royal Mail missed some of the quality of service targets set by Ofcom to ensure high standards in the 'universal service', under which it must deliver to every address in the UK, six-days-a-week at a uniform price.

The company missed a requirement to deliver 93% of all First Class letters on the day after collection, reaching 91.7%.

The company is also required to meet a certain level (91.5%) of next-day delivery for First Class in almost all of the UK's geographic postcode areas. This is an important target because it requires the company to provide a good level of service across the UK, and not just in more densely populated areas. Royal Mail achieved this level in only 62% of the required postcode areas.

Royal Mail met other targets, however, including a requirement to deliver 98.5% of Second Class letters within three days of collection. It either exceeded or narrowly missed targets relating to areas such as special delivery, parcels and delivery to the correct address.

Ofcom is concerned about Royal Mail's failure to meet certain service targets, and has made clear to the company that it must take all necessary steps to meet these in future. Ofcom will continue to monitor Royal Mail's performance closely. Should it miss the targets in future, Ofcom will consider opening a formal investigation which could result in enforcement action, including the possibility of fines.

Attitudes towards Post in Wales

When asked about their attitudes to post, nearly two-thirds of adults in Wales said they loved sending and receiving letters and cards (65%), higher than any other UK nation.

However, people in Wales are more likely to have reduced the amount of post they send, only sending an average of 6.7 items each month, compared to 8 items for people living in England.

People in Wales are also the most likely to say they now send less post (-15% net). They also anticipate that they will reduce their use of post for sending letters, cards and parcels in the future (-16% net).

However, in contrast, people in Wales receive the most items of post and are more likely than people in the UK as a whole to have ordered goods to be delivered. When asked about the amount of post they have received in the past week, people in Wales claim to have received the highest average number of items (10), especially when compared to residents in Scotland (4.8). This is perhaps due to the high propensity of people living in Wales to order items for delivery by post with over three-quarters of residents having done this compared to just 69% across the UK as a whole.

When asked about their overall satisfaction levels with Royal Mail, the majority of people in Wales (90%) say they are satisfied, compared to 86% across the UK as a whole.

For business users in Wales, over half (57%) say that post plays a mainly administrative role and almost three-quarters of business in Wales spend less than £1000 on post each year. However, businesses in Wales are the least likely to have switched some mail to other communication methods in the past year and only 7% of businesses in Wales say they anticipated sending fewer items in the next year.

Section 9

Protecting and Promoting the Interests of Citizens and Consumers

Ofcom's work to further the interests of citizens and of consumers is at the heart of everything we do. All our work is ultimately geared towards this one aim.

The communications sector is at the forefront of technological change and consumers are benefiting from innovative services, faster connection speeds and the ability to buy bundles of communications services more cost-effectively than ever before from a single provider.

However, this complexity can also make comparing services and switching providers more challenging and result in increased potential for scams and other forms of abuse which can cause consumer harm.

Empowering Consumers

Ofcom wants to make sure that consumers get the best choice and value for money from their communications services. In order to help consumers make the right choices, we are undertaking a broad programme of work to ensure that consumers have access to reliable, accurate and up-to-date information – essential if they are to make informed decisions when considering a service or provider.

To help them do this, Ofcom publishes and publicises a range of information. This includes our ongoing research comparing the actual broadband speeds delivered by different internet providers and data on the number of complaints we receive about specific fixed-line, mobile and pay-TV providers.

As well as giving consumers valuable information, publishing the data encourages service providers to raise their game.

We have also improved the consumer guides and the advice on our website, which last year received more than 4 million visits. The two most popular guides during the year were those containing advice on phone call costs and advice on dealing with nuisance calls.⁵

Working with other regulators, we have also improved the ParentPort website, which offers parents advice on how to make complaints about a range of issues in the media.

Protecting consumers

Mid Contract Price Rises

Sometimes communications markets don't always deliver the best outcomes for consumers. When this happens, Ofcom steps in to protect people. One issue that has generated a lot of public interest has been mid contract price rises – when a landline, broadband or mobile operator changes its charges during a fixed contract.

In January, new Ofcom guidance came into effect setting out that consumers and small businesses taking out new landline, broadband or mobile contracts should be allowed to exit them without penalty if their provider increases the monthly subscription price agreed at the point of sale.

⁵ Ofcom's Consumer Guides are available here: <http://consumers.ofcom.org.uk/guides/>

Nuisance Calls

Another area of growing consumer concern is the issue of companies making nuisance calls, which can cause annoyance or distress.

Ofcom has lead responsibility for tackling silent and abandoned calls and we take this extremely seriously. Enforcement action is a deterrent and we are committed to using the full extent of our powers to address this issue including fining an organisation up to £2 million.

Since 2012, Ofcom has issued £750,000 fines to both TalkTalk and Homeserve, and fined nPower £60,000.

Ofcom is also working with other bodies and agencies that have legal powers to address other types of nuisance calls. For example, the Information Commissioner's Office (ICO) is responsible for regulating nuisance marketing calls and texts while the Claims Management Regulator, part of the Ministry of Justice, oversees the conduct of claims management companies.

We also recently announced a five-point plan to further address the problem. This includes new research to get a clearer picture of the problem, and co-ordinated action with industry and other agencies with responsibilities in this area. We would like to go further, but while our powers are limited, action requires collaboration between multiple agencies including the ICO, the Office of Fair Trading (OFT), the Ministry of Justice and the Telephone Preference Service (TPS). Whilst this issue remains challenging, we are actively working with the UK Government, agencies and other stakeholders to help drive a coordinated response to the wider issue of nuisance calls to help protect consumers.

Switching

We are also developing and implementing policies that will improve the ease of switching between communications providers. Consumers must be able to switch providers easily so that they can choose the broadband or telephone service that best suits their needs.

In August, Ofcom announced new measures to help consumers change landline and broadband providers with greater ease, confidence and convenience. Ofcom decided that consumers only need follow a single switching process in future, in which the new provider leads the transfer process on behalf of the consumer.

Under this 'gaining provider led' process, which is already in use for most landline and broadband switches, consumers will no longer need to contact their existing provider to receive a code in order to switch provider.

Ofcom has also set out additional measures to help prevent consumers losing their service during the changeover process or being switched without their consent, known as "slamming".

Ofcom also continues to accredit price comparison websites, which ensure that consumers have access to accurate and reliable price information.

Section 10

Ofcom's Commitment to the Welsh Language

Ofcom is required under the Welsh Language Act 1993 to prepare a Welsh Language Scheme specifying the measures which we propose to take as to the use of the Welsh language in connection with the services we provide to the public in Wales.

The Scheme places an obligation on Ofcom to adhere to the principle that "in the conduct of public business the Welsh and English languages should be treated on a basis of equality".

Ofcom is proud of its ongoing commitment to the Welsh language and the way in which we integrate the Welsh language into our work.

Our standard practice is to ensure that our services are available to the public in Welsh. Ofcom provides a bilingual service to the Welsh speaking public in a number of different ways:-

Correspondence

- We always ensure that services provided in Welsh and English are of equal quality and provided simultaneously. For example, when someone corresponds with us in Welsh, we issue a reply in Welsh within the same key performance indicators as English correspondence.
- When we initiate correspondence, we do so bilingually unless we know the language preference of the recipient.

Telephone Communications

- We welcome telephone communications in Welsh and English and Ofcom employs a number of Welsh speaking staff who can deal with verbal and written enquiries in Welsh.
- Callers wishing to speak to someone in Welsh are transferred to the Ofcom Wales office and staff always answer with a bilingual greeting.
- The Ofcom Advisory Team, which deals with complaints or issues from members of the public, also has a dedicated Welsh Language help line which is advertised alongside the English language service.

Public meetings in Wales

- Ofcom always ensures that invitations, advertisements and all documentation for our public meetings are bilingual.
- We actively encourage contributions in Welsh and provide an appropriate simultaneous translation service at all Ofcom public meetings held in Wales.
- We also ensure that Ofcom is represented by bilingual staff at external events and conferences in Wales and arrange appropriate staffing at events where visitors are known to be Welsh speakers.

Publications

- All publications that are aimed at the general public in Wales must be provided in Welsh and English simultaneously if it relates specifically to Wales or services of a particular importance or relevance to consumers and businesses in Wales.
- The Ofcom Wales office provides assistance and advice to colleagues on how this affects publication timetables; arranges translation; and proof reads Welsh language documents in readiness for simultaneous publication. We use approved translators to work on Ofcom translations to ensure consistency in the use of terminology. Recent examples include Ofcom's Annual Plan, Annual Report and Communications Market Report (Wales).
- We continue a close working relationship with project teams and the Communications team to ensure early awareness of publication timescales. We maintain regular contact with the Communications team via weekly meetings.
- We also produce a quarterly bilingual newsletter for stakeholders and Welsh politicians, AM.com, which provides an update on issues affecting Wales within Ofcom's wide-ranging regulatory remit.

Research

- Under provisions set out in our Welsh Language Scheme, when conducting research in Wales, our standard practice will be to ensure that any communication with the public will be made bilingually. Therefore, when it is practicable, respondents will be asked whether they wish to respond to our surveys in Welsh or in English. At the beginning of an interview we pro-actively offer to arrange to conduct interviews in Welsh.

Websites

- Our website includes pages in both Welsh and English. The Ofcom Wales office advises on the translation of material for the Ofcom website and uploads Welsh language content onto the Ofcom website as necessary such as bilingual Agendas and Minutes of Ofcom's Advisory Committee for Wales.

Corporate identity & Signs

- Ofcom adopts a bilingual corporate identity in Wales. Our name, signs, contact details, logo, slogans and other brand information appear bilingually on all consumer facing materials.

Press releases and contact with the media

- Press releases to the press and media in Wales are issued bilingually and Welsh speakers are available for interviews with Welsh language press and broadcast media such as S4C's early evening news programme "Newyddion" or BBC Radio Cymru.

Staffing & Recruitment

- The Ofcom Wales team has 3 full time and 1 part time members of staff. Two Members of staff are fluent Welsh language speakers and we actively encourage staff to learn or improve their Welsh language competence by funding training and development opportunities. We currently have one full time member of staff who is actively learning Welsh.

- We identify posts where the ability to speak Welsh is desirable or essential and advertise accordingly.
- Any advertisements placed in English language newspapers distributed in Wales are always bilingual and all information packs and application materials are provided to candidates bilingually for posts in Wales.

Compliance with Ofcom’s Welsh Language Scheme

- We provide colleagues with professional advice on Ofcom’s Welsh Language Scheme and ensure that staff responsible for policy and service delivery are aware of our commitments under our Welsh Language scheme.

The Welsh Language & Local Commercial Radio

On 1 March 2012, the Welsh Government published its Welsh Language Strategy which committed the Welsh Government to “maximising the potential of technology and improving the accessibility to, and relevance of, available Welsh-language media and resources.”

In this strategy, the Welsh Government has committed itself to: 1) “ensuring that Welsh-language service provision is effectively safeguarded and developed by regulatory bodies such as Ofcom”; and 2) “Investigating with others [Ofcom] the possibility of increasing the provision of Welsh-language programming on commercial radio stations operating in Wales.”

We first submitted a voluntary Welsh Language Scheme to the Welsh Language Board in early 2006 and this was approved by the Board in March of that year.

On 7 May 2008, we were named by the then Welsh Government Culture Minister as an organisation that was required to adopt a statutory Scheme.

We submitted a draft to the Welsh Language Board for approval in early March 2010 and received confirmation that it was acceptable, but for one point of difference - the Board’s insistence that we give consideration to the linguistic nature of different communities in Wales when awarding local commercial radio licenses.

It has remained our considered view that we do not have the statutory powers that would enable us to comply with this clause and after lengthy negotiations, the Welsh Language Board referred the matter to the then Welsh Government Minister responsible for the Welsh Language, Leighton Andrews AM, who subsequently decided upon the terms of Ofcom’s Welsh language scheme.

As a result of his decision, the following clause (3.5) was inserted into our Welsh Language Scheme:

“We will give appropriate consideration to the use of the Welsh language in carrying out our functions involving services to the public.

Those services include:

- the drawing up and issuing of our Localness Guidelines, and
- the carrying out of our licensing functions in a way which seeks to ensure inclusion in licensed broadcasting of local material, including material of particular linguistic content and or presentation, where necessary by the imposition of licence conditions.”

The Minister also decided that we must formulate a detailed four year action plan which will note how we will ensure that we operate in compliance with the Scheme.

We submitted our Annual Monitoring Report to the Welsh Language Commissioner on our activities in the Welsh Language in August 2013. The Commissioner's response called into question the fulfilment of clause 3.5. Ofcom replied indicating that compliance with this specific clause would not be possible without a change in primary legislation.

However, after recent constructive discussions with the Welsh Language Commissioner's officials, agreement has been reached.

We agreed to amend our radio format guidance to say: "where a station considers that there is a language that is of particular interest to people in the local area, it may include content in that language, subject to any relevant Format requirements. An important example would be content in the Welsh Language which is an official language in Wales."

This does not impose any new regulatory obligations on licensees but we feel that the guidance is helpful in assisting prospective licensees with their applications.

On 4th February 2014, the Welsh Language Commissioner approved Ofcom's amended Welsh Language Scheme. We will work towards completing and submitting our Annual Monitoring Report on our activities in the Welsh Language by the end of June 2014.

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In English: 020 7981 3040 or 0300 123 3333

In Welsh: 020 7981 3042

Agenda Item 6

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Agenda Item 8



Christine Chapman AM
Chair
Communities, Equality and Local Government Committee
National Assembly For Wales
Cardiff Bay
CF99 1NA

18 March 2014

Dear Ms Chapman

Following the WRU's recent letter dated 30 January 2014 to your committee which details some of the negotiations currently taking place between the WRU and the four Regional organisations we believe it would be helpful for you to have a wider understanding of our remit and constitution to consider during your debate on Welsh rugby.

I note you have received a financial assessment from David Moffett and it is worth you noting that the WRU has answered the points he raises in a private and confidential letter sent to the secretaries of our member clubs.

The WRU is the governing body of the game in Wales and its constitution places the ultimate ownership of rugby in the hands of our 320 member clubs. A board of directors is elected from representatives of each rugby district in Wales and their overview is translated into operational management through an Executive Board.

The WRU is a member union of the International Rugby Board which manages the game of rugby on an international level, its cross-border competitions, international matches, the rules of the game and an array of other related issues.

The remit of the WRU is to sustain and develop the game of rugby in Wales while its alignment to the IRB ensures that the game is developed globally. For example central funding is distributed by the IRB to the developing rugby nations and a practical example of how the wider game is assisted is how major nations such as Wales play emerging rugby nations during our regular Autumn series of international matches and on summer tours.

The WRU nominates teams to take part in sanctioned cross-border competitions which the IRB ensures are inclusive of all relevant nations and help support rugby to the ultimate benefit of the international game given the pyramidal structure of rugby.

Within Wales the WRU now operates through a five year rolling financial and strategic plan which ensures spending is controlled and all initiatives are properly resourced. The income of the WRU has grown since 2007 by some 40 per cent and now regularly stands at around £60m a year. The Welsh international team is recognised as the financial engine of the game in Wales through income from broadcast contracts, major sponsorship, ticket sales and merchandising.

The constitution of the WRU allows for the elite, the community game and the upkeep of the Millennium Stadium to be funded through this income.

Last year the turnover of the WRU was £61million of which £22.1million was allocated to its affiliated organisations.

Some £4m was invested into the community game last year with £4.2m spent on operational costs across the elite game.

The distributions to the four Regional organisations during the year were subject to the terms of the 2009 Participation Agreement which meant that £9m annually of competition income was allocated along with £6.7m in direct funding from the WRU. This direct funding total had risen from a figure of £3.2m before the signing of the 2009 agreement and would have exceeded £7.5m by the full term of the Participation Agreement if it had been continued.

The terms of the 2009 agreement extend to the conclusion of the current season and a new Rugby Services Agreement is currently being negotiated with the four Regions.

The Regional game in Wales forms a vital element of the pyramid structure of Welsh rugby which ultimately feeds into the senior national team. It is immediately supported by the Principality Premiership Division which is also subject to the terms of an agreement with the WRU and is funded accordingly.

The WRU also spends £600,000 a year funding the Regional academies and also offers other forms of assistance from within the central structure and employs 22 members of staff to work in the Regional academies.

With the importance of senior national success fully recognised, the WRU has invested in a National Centre of Excellence which has been held up as an example of elite sporting excellence around the world game.

All the Wales international Age Grade teams, the Sevens and Women's squads operate from the NCE and a full coaching and backroom structure outside the senior national squad structure is managed by the WRU Rugby Department.

The WRU also supports a development region in North Wales with staff and resource through a representative team called RGC 1404 which is currently playing in the SWALEC Championship league.

The community game is a clear priority for the WRU recognising that a flourishing grassroots game is vital for the sustainability of its elite structures and the status of Welsh rugby as the national sport of Wales.

The WRU has more than 50 employees permanently dedicated to the community game with the majority of those employees operating around Wales with direct links to clubs and schools.

They manage a series of initiatives to assist physical literacy amongst junior players and extend their input into coaching older youngsters who play at schools or clubs.

Last year the WRU visited 183 secondary schools and directly coached rugby skills to 16,500 pupils. All of them were encouraged to get involved with their local club.

Some 22 schools were recognised in the WRU Rugby Accreditation Programme for their work in promoting rugby. Throughout the year 2,000 new junior players joined WRU clubs.

These statistics offer a snapshot of a wide range of activity which happens every day of the week across Wales and as a further example of that focus the WRU recently published a Club Funding Index which showed that £27million had been received by community clubs over the past five years from a variety of funding streams. Some of this money was invested directly from the WRU with the governing body assisting clubs to identify other sources of investment.

The WRU has launched a Club Operations Team to assist its member clubs with a focus on needs identified through a Club Census organised by the WRU.

Another key area of focus for the WRU is the Millennium Stadium which it owns and operates. The WRU recently commissioned an independent survey which showed that activities in the Stadium contribute some £130m to the wider economy of South Wales year on year.

The detailed outlined in this note serves to show your committee that the WRU operates within a clear strategy aimed at supporting the pyramid structure of Welsh rugby through a fair distribution of funds and resource across the whole of the game.

The WRU will continue to endeavour to promote success at the elite level of the game in Wales and stronger participation at the grassroots level to sustain the game of rugby. The WRU recognises that Wales faces the challenges of being a small nation operating in a difficult economic climate but we firmly believe that by operating with corporate efficiency and adhering to a clear strategy we can continue to succeed.

I would be happy to address your committee on these and other matters related to Welsh rugby if you believe it would help your debate.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger Lewis', with a stylized flourish at the end.

Roger Lewis

Group CEO