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Bethan Jenkins AM
Chair
Culture, Welsh Language and Communications Committee
The National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

24th March 2016

Dear Chair

On behalf of TAC, I would once again like to thank you for inviting us to appear before your committee on 16 March. During the session, we committed to providing further information. We would also like to provide further replies to some of the other points raised.

The role of S4C

S4C's future is linked to the diversity, creativity and entrepreneurship of the Welsh independent production sector. Companies in Wales are established and run by people with a deep commitment to producing meaningful content communicated through the medium of Welsh, and in doing so, to reflect and promote Welsh life and culture.

We would ask the committee to consider what actually constitutes 'S4C' to a member of the public. In our experience they identify S4C by its programmes, whether that is *Rownd a Rownd*, *Fferm Factor*, *Ochr 1*, *Y Gwyll* or programmes on the childrens' service *Cyw* – all produced by TAC members. Whilst any media service needs an administrative organisation to schedule and commission the content, it is the content itself that lies at the heart of the service's identity, and its ability to serve audiences.

So the production sector is an intrinsic part of how S4C works and the impact of its brand. As an extension of their creative ambition, and through a desire to portray Wales positively to the rest of the UK and beyond, our members also seek in many cases to gain commissions from a wider range of broadcasters. For a sector that in the past has been accused of being over-reliant on S4C, we feel this is a positive development for anyone who values home-grown Welsh content production.

Nevertheless, with research showing an economic return of £2.09 on every £1 invested, S4C's investment in the sector is crucial. This is why S4C's overall remit should clearly commit it to commissioning the vast majority of its output from the independent sector.

The Committee will note that the current BBC / S4C Operating Agreement³ states: *'The BBC Trust and the S4C Authority have agreed that S4C should commission the vast majority of its content from independent production companies'*.

It goes on to say that commissioning content from the BBC; *'should only ever constitute a small proportion of the overall content commissioned by S4C'*.

This commitment should be part of S4C's overall remit, emphasising that whilst S4C should be free to commission from any producer, the vast majority should be from the independent sector, rather than other broadcasters' in-house studios.

S4C Production

We were asked whether S4C should produce its own content in-house. S4C is already an award-winning publisher broadcaster, so there is no quality issue at present with its output. To make its own programmes would involve considerable investment. Apart from the BBC and ITV, who historically have always made some of their own content, other media companies are choosing to use the vibrant indie sector to source the best ideas and expertise, meeting their need for channel defining content which can distinguish them in the market place, whilst not investing in unwieldy in-house studios.

In-house production would saddle S4C with the financial burden of fixed overheads, meaning its in-house facility would need regular commissions, regardless of whether it had the best ideas and talent. This would dilute the principle of only commissioning the best content regardless of source, on which S4C and Channel 4 were founded.

S4C needs the flexibility to focus resources on its continuously adapting vision, and commissioning production companies based all around Wales encourages creative competition and value for money.

A clear remit for S4C to work with the indie sector, as recommended in our origin paper, would mean that those companies can secure additional investment to diversify activities, produce for the wider market, and grow their businesses, whilst investing in technology and new programme ideas.

Devolution of S4C

On the devolution question, TAC supports the Welsh Government and assembly's current role in Wales' affairs. In the case of responsibility for S4C, we would reiterate the point made in our paper that S4C gains from being part of the wider UK public service broadcasting (PSB) system. As a committee member pointed out, S4C and the independent production sector are looking to appeal to wider audiences, but distancing it from other PSB networks would risk marginalisation, and creating the perception of S4C as a minority interest broadcaster for a Wales-only audience.

Concerns raised by the Committee, concerning the possibility of future UK Government cuts, can be met by putting a proper funding structure in place, which cannot be tampered with ad hoc. A transfer of responsibility for S4C would still mean that central government would still be funding S4C, through its overall grant to the Welsh Assembly Government (WAG). If the WAG's real-terms grant declined, it would present the type of dilemma outlined at the

³ BBC Trust – S4C Authority Operating Agreement, p5 para 2.6

committee session, in terms of conflicting needs to prioritise spend in other areas. Furthermore it could well be the case that if the S4C funding was bundled into Wales' overall grant, no allowance would be made for it to be in line with inflation.

Exploitation of Rights

There was also a question on exploitation of rights. Some Welsh companies, such as Rondo and Cwmni Da, have distribution deals in place that bring in residual income. There is always room to encourage the whole sector to be proactive on this front, and TAC's new General Manager, has a role to create a programme of resources and events to assist members in maximising their IP's potential.

Overall the UK production sector is a world-leading industry, exporting £1,326bn in 2015-16 around the world in programmes and formats⁴. That this is possible is due to protections for producers' IP rights in the 2003 Communications Act. A broadcaster can only buy a licence from an independent producer to screen a show a certain number of times over a certain period of time. They can also have separate discussions of those rights, but these must be separate from the initial 'primary rights' discussion, and the presumption is that rights always lie with the producer. Less than eighteen months ago an Ofcom review concluded that there was no need to adjust this legislation.

Audience Research

Lastly, we talked about audience trends and mentioned research. The research we referred to was shown to members of TAC by S4C and we have reproduced it as an appendix.

In Conclusion

We hope this further information is useful. Even though the independent sector was not part of your initial work on broadcasting, we would like to take this opportunity to extend to the whole committee a cordial invitation to visit one or more of the companies to learn more about their work if it would be useful to you in the context of this, or any future inquiry.

The UK Government's industrial strategy highlights the creative industries as a key area, and Wales should note this and convince the UK government to further invest in the Welsh economy, by increasing its grant to S4C and specifying it is invested mainly in the indie production sector.

In the last few days we have already seen the Government make a new loan to S4C and part-freeze its funding for the coming financial years, and with everyone continuing to make the case for S4C's sustainable future we hope we can achieve a positive outcome in the review which will benefit audiences in Wales and beyond.

Yours sincerely



Iestyn Garlick, Chair

⁴ TRP TV Exports Survey 2015-16

TAC follow-up to Welsh Assembly Culture, Welsh Language & Communications Committee, March 2017

Appendix - S4C research

There was a discussion around changing viewing habits among younger audiences and TAC mentioned research which it had seen from S4C. A copy of the Enders Analysis graphs, based on information from BARB/Infosys+, is included below.

The first of the following graphs shows audience trends among 16-34-year-olds.

We entirely accept that it shows that the 'Other' Screens section is growing year on year. Nevertheless, it is still less than a third of total viewing, and it is important to note that people still view live TV or on catch-up via devices other than TV sets. If you consider alongside this the steep rise in views of S4C on iPlayer, then it is reasonable to assume that at least some of this change in viewing device is still used to view 'traditional' TV, but with different technology.

The committee will also note that the trend towards use of other devices is forecast to slow down and virtually plateau to around a third by 2020.

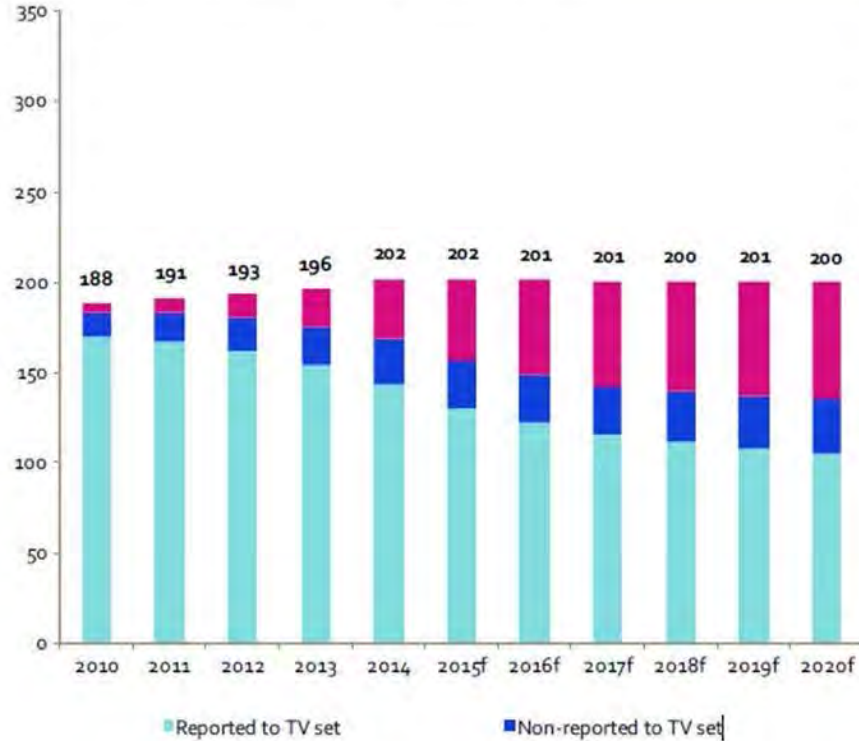
We would also point to the second graph, which shows an overwhelming proportion of 65+ viewers to the traditional viewing. It should also be noted that there continues to be a debate as to the extent that, as people grow older, their viewing habits change and they are more likely to view linear TV in a more traditional manner in front of the TV set. So an assumption that such behaviour will see a significant long-term change ought to be treated with caution. This audience has a right to be catered for in the manner to which it has become accustomed, i.e. high-quality TV content delivered on a linear terrestrial channel.

None of these are arguments to deny that it is important to diversify S4C's presence across platforms, and develop and increase the amount of content which suits the habits of a more mobile, younger demographic. As we explained, producers are investing in equipment and techniques to produce this content. However, it should be noted that there is not necessarily a cost saving to be made in the way that is sometimes assumed. Producing a well-designed 5-minute video to go online can take the same amount of set preparation, makeup, and camera setup as a 30-minute programme.

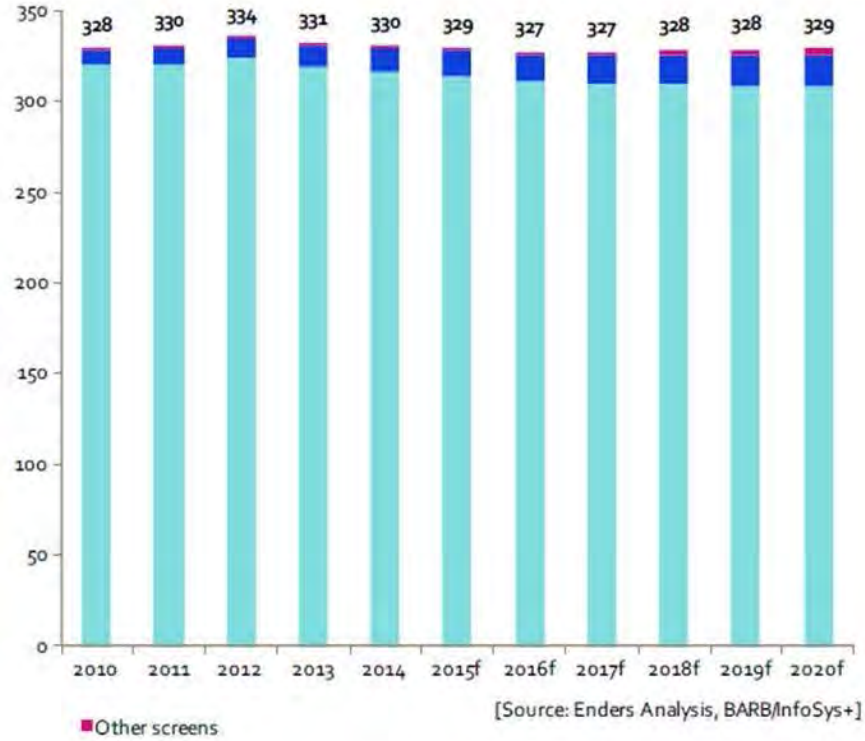
And any content associated with S4C's brand needs to have the quality that its audience will expect. If its short-form content takes on an 'unprofessional' look, this will only serve to diminish it and, as we explained, run the risk of it appearing to be a second-class service. If a young person's first encounter with S4C is a poor-quality video clip, that could have a very damaging effect on the likelihood of their becoming part of S4C's audience in the future.

Information provided to TAC by S4C, March 2017 / Gwybodaeth a ddarparwyd i TAC gan S4C, Mawrth 2017

Average viewing minutes per day: adults 16-34



Average viewing minutes per day: adults 65+



[Source: Enders Analysis, BARB/InfoSys+]

Key Guide

Reported to TV set (Light blue) = BARB reported viewing: live and up to 7-day consolidated timeshift/catch-up

Non-reported to TV set (dark blue) = All other viewing of video content on the TV set, but excluding video games

Other screens (pink) = All viewing of video content on other screens, whether long form or short form

Allwedd

Anfonwyd at y set deledu (glas golau) = gwyllo o adroddiad BARB: byw a hyd at 7 diwrnod o wyllo wedyn/dal i fyny

Heb ei anfon at y set deledu (glas tywyll) = pob math arall o wyllo cynnwys fideo ar y set deledu, ac eithrio gemau fideo

Sgriniau eraill (pinc) = holl wyllo cynnwys fideo ar sgriniau eraill, boed hynny'n ffurf hir neu ffurf fer