

## **Ofcom draft Annual Plan 2015-16 – response from the Welsh Government**

The Welsh Government welcomes this opportunity to comment on Ofcom's Draft Annual Plan for 2014/15. We will provide comments below on Ofcom's proposed priorities and programme of work, grouped under subject areas of importance to the Welsh Government – Public Policy, Broadcasting, Inclusion and ICT Infrastructure.

### **Public Policy**

In our response to the consultation on Ofcom's draft Annual Plan for 2014-15 we called for its strategic purpose to 'Contribute to and implement public policy defined by Parliament' to be extended, to include policy defined by the devolved administrations. We were pleased to note that the final, published Annual Plan for 2014-15 provides Ofcom's interpretation of this strategic purpose, as referring to support given to the public policy of governments at an EU, UK and devolved administration level. Whilst this acknowledgment of our positive working relationship is gratifying, it demonstrates the need for a formal reappraisal of this strategic purpose, so that it better reflects the reality of devolved government and provides, unambiguously, for direct accountability to Wales in areas such as Public Service Broadcasting.

We would once again urge Ofcom to build a review of this strategic purpose into its Annual Plan, with the aim of providing a recommendation to the UK and devolved governments about the scope of any change required. As a government we are encouraged by the dialogue now taking place on this issue and we are pleased to see a commitment from Ofcom in the draft Annual Plan to respond to further possible changes to the devolution settlement, which may encompass broadcasting matters, after further consideration of the findings of the Silk Commission on Devolution in Wales and the Smith Commission in Scotland. In the context of those deliberations, as well as the forthcoming review of the BBC Royal Charter, a review by Ofcom of this strategic purpose would be extremely timely.

### **Broadcasting**

We are broadly content with Ofcom's plans to:

- promote audience safety;
- ensure effective competition in the provision of certain Sky services;
- develop plans for the licensing of small-scale DAB;
- develop frameworks for measuring media plurality and for media standards;
- complete reviews of radio format regulation and the EPG code;
- complete its Market Impact Assessment of BBC proposals to change certain services, and;
- complete its review of Public Service Broadcasting.

The Welsh Government welcomes the fact that Ofcom is at present consulting on its Third Review of Public Service Broadcasting. There has been no evaluation or assessment of whether current public service obligations remain fit-for-purpose since

powers were devolved to the nations - and over the same time period those obligations have been allowed to erode, largely for commercial reasons.

We have provided a full and detailed response to the PSB Review consultation, which focusses on key themes of particular importance for Wales; specifically:

- The distinct situation in Wales
- Constitutional arrangements and accountability
- BBC Charter Renewal
- Levels of investment in PSB
- Quotas for production
- Opportunities for the independent sector
- Economic impact of PSB
- Programming for Wales and portrayal
- Ofcom's regulation role
- Changing models of delivery and the risks and opportunities this brings

We would urge Ofcom to take the detail of our response to the PSB Review into account when finalising its Annual Plan; a copy of our PSB response is provided as an annex for your consideration.

## **Inclusion**

Whilst we welcome Ofcom's commitments under its priority 'Promote opportunities to participate' to review and promote the reach of postal and telecommunications services, we would urge Ofcom to take the opportunity to encourage and facilitate a more ambitious degree of citizen participation than that currently outlined in the draft Annual Plan.

For example:

- Wales has a network of 52 Papurau Bro (Welsh-language community magazines) which - with the appropriate encouragement, training and resources - could develop into interactive multimedia operations as part of Ofcom's opportunities to participate programme.
- Offering new, low-barrier-to-entry radio broadcasting licenses might encourage Twitter communities that already come together on a regular basis around a specific hashtag<sup>1</sup> to extend their communication and networks to the radio airwaves for, say, one hour per week on a weekday evening.

The media literacy agenda set out in the draft Annual Plan focusses almost entirely on child safety. Clearly this is a vital issue and Ofcom is right to address it, but we would like to see Ofcom extending its approach on media literacy. We would suggest that 'Learning to code' be added as an Ofcom participation theme, to promote activities that allow people to understand how interactive applications work and to acquire skills which will help them find employment.

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<http://www.designthatfits.co.uk/news/106/25/UK-Twitter-Hours---The-hashtags-you-need-to-know/>

In chapter 6 of the draft Annual Plan, 'Our work in the nations' (paragraph 6.3), Ofcom says that it "will also promote the interests of the nations... by":

"renewing efforts to promote digital inclusion by using and disseminating our research into digital participation, skills and attitudes across the UK's nations and between urban and rural areas. We will continue to track geographic differences in broadband speeds, and monitor levels of media literacy by nation."

We would ask Ofcom to change the last sentence so that it reads as follows:

"We will continue to track geographic differences in broadband speeds, and monitor levels of media literacy by nation and monitor levels of media literacy by nation and language spoken."

Formalising the measurement and reporting of media and device use by Welsh speakers in Ofcom's annual Communications Market Report could then be achieved by boosting the sample of Welsh speaking respondents, to ensure statistical validity.

## **ICT Infrastructure**

We have a number of comments within this theme that cut across various sections of the draft Annual Plan. For this reason we will identify the priority, work area or specific chapter we are referring to in each case.

### **Fixed and mobile services**

We broadly welcome the priorities in the plan with regard to broadband and mobile services.

The commitment to ensure effective competition in the provision of communications services for businesses, particularly SMEs, is welcome. Below we make recommendations on how open access to fibre networks could introduce competition and diversity to the market in Wales.

The priority to promote better coverage of fixed and mobile services for residential and business consumers is of particular importance to Wales given the challenging topography and very low density of the population across much of the country.

### **Proposed priority: Promote effective competition and informed choice**

The dominance of BT in the provision of communications infrastructure, particularly fibre and near monopoly position in Wales with businesses and other communications providers almost entirely reliant on BT for fixed fibre infrastructure provision.

For commercial reasons, BT has consistently refused to offer dark fibre services. The acquisition by BT of EE, and the potential for cross subsidising backhaul costs for one operator at the expense of the others, brings this issue into sharp relief. In addition, at present Ofcom does not require that BT offers a price regulated product specifically for use by the Mobile Network Operators (MNOs).

We welcome the indication in the Business Connectivity Market Review that Ofcom will review Openreach's quality of service, particularly in relation to the provision of Ethernet services, and whether operators found to have market power should be required to provide passive access products.

(Paragraphs A1.14). **Our opinion is that in the medium term, following the acquisition of EE by BT, we would urge Ofcom to mandate BT to offer open and equal wholesale access to its dark fibre infrastructure on a price regulated basis.**

In addition we would like to see **a reference to the creation of a class of regulated fibre products for use by MNOs in rural areas.** The case for action is made stronger by the significant investment of public funds in the Openreach network, via the superfast broadband programmes.

Our view is that ultimately consideration should be given to the structural separation of Openreach from BT. This, in our view, would represent the best long term and most sustainable solution to create a diverse and healthy communications market not just in Wales but across the UK. The evidence that was gathered and the assumptions which were made when Openreach was established needs to be reviewed in light of the proposed merger. With regard to the annual plan we would like to see **reference to work to review, alongside the Competitions and Markets Authority, the future of Openreach particularly in light of the significant changes to the market.**

#### **Promote opportunities to participate/Secure optimal use of spectrum**

In sparsely populated areas, which include the vast majority of Wales, population coverage commitments leave vast tracts of the country without, or with very poor, mobile coverage. Improvements in geographic mobile coverage when combined with the roll-out fast fibre broadband has real potential to improve the economic opportunities and tackle issues such as social isolation across even in our most isolated communities.

We welcome the UK Government's recent agreement with the Mobile Operators of a 90% UK coverage target, but in the absence of a target which cascades down to Wales, we are concerned that we will not be able to reap the full benefits of this deal.

**We would welcome with regard to releases of spectrum (i.e. 700MHz) a reference in the plan to the imposition of targets for geographic mobile coverage including specific targets for the nations.**

#### **Chapter 5:Ofcom's competition powers**

The potential acquisition of EE by BT, if it goes ahead, will have a significant impact on the market in Wales. We would anticipate that Ofcom and the competitions and Markets Authority will have to commit significant resources to the issue. **Reference should be made to this in the annual plan.**

## **Chapter 6: Our work in the nations**

In line with our comments above we would like to see **reference in paragraph 6.2, or wherever most appropriate, to work to ensure access to passive infrastructure products and to the creation of a class of regulated fibre products for use by MNOs in rural areas in the nations.**

We would also like to see **reference to the imposition of specific targets for the nations for geographic mobile coverage** as per the above.

### **Conclusion**

We have identified a number of important issues in this response (and in our response to Ofcom's review of Public Service Broadcasting) which are of particular relevance to Wales. We stand ready to engage in a constructive dialogue with Ofcom on all of these matters and in some cases (especially on broadcasting matters) we look forward to setting up formal processes with Ofcom and the UK Government to discuss and develop these in due course.

**Public Service Content in a Connected Society –  
Welsh Government response**

The Welsh Government welcomes the fact that Ofcom is conducting a further review of Public Service Broadcasting.

There has been no evaluation or assessment of whether current public service obligations remain fit-for-purpose since powers were devolved to the nations - and over the same time period those obligations have been allowed to erode, largely for commercial reasons.

Ofcom’s PSB Review is very timely, considering the imminent General Election and the forthcoming renewal of the BBC Royal Charter; it cannot take place in isolation from the crucial debate which has already begun about the Charter renewal. Currently the draft review stops short of providing, without prejudice, any assessment of the impact of options which might be considered for the future remit, structure, governance and funding of the BBC. This is both surprising and disappointing, as it would appear to be well within the Terms of Reference for the review and would be invaluable to those involved in Charter deliberations. Ofcom is already aware that this view was widely shared by stakeholders at its Wales PSB Review event in Cardiff in January. We would urge Ofcom to ensure that the final version of this report, along with any subsequent advice it provides to the UK Government on BBC Charter renewal, provides all relevant context and sets out Ofcom’s views on the implications of various possible scenarios that could be considered during the Charter deliberations. This is vital, to ensure that policy can be developed by Government on an informed basis.

Over the next two to three years there are key decisions to be taken relating to broadcasting and regulatory arrangements in the UK and in Wales. In addition to the BBC Charter Renewal there are possible changes to the devolution settlement which may encompass broadcasting matters, after further consideration of the findings of the Silk Commission on Devolution in Wales and the Smith Commission in Scotland.

In this response we will not answer the consultation questions individually, but the key themes from your questions which are of particular importance for Wales are:

- The distinct situation in Wales
- Constitutional arrangements and accountability
- BBC Charter Renewal
- Levels of investment in PSB
- Quotas for production
- Opportunities for the independent sector
- Economic impact of PSB
- Programming for Wales and portrayal
- Ofcom’s regulation role
- Changing models of delivery and the risks and opportunities this brings

We will focus on these in our commentary on cross-cutting issues and the PSB institutions themselves.

## **The distinct situation in Wales**

Wales is a nation in its own right, with a unique culture and language. Its bilingual ethos and its nature and history are distinct within the UK; they need to be safeguarded and celebrated. The UK broadcasters have yet to succeed in this and it has not helped that local programming hours have been lost as financial resources have been cut.

The public service broadcasters are a vital part of the thriving Creative Industries sector in Wales, a rapidly growing part of the Welsh economy - 5.2% of all enterprises in Wales are in the creative industries, an increase of 22.9% since 2005. They employ 48,900 people, up 58.5% since 2005. The public service broadcasters also have a crucial role in the civic life of Wales and contribute greatly to the Welsh cultural, social and political landscape.

Uniquely amongst the devolved nations, Wales has a relatively weak indigenous infrastructure for news via print media, coupled with a lack of significant coverage in UK media. This leads to an over-reliance on TV news services in Wales. Ofcom’s Communications Market in Wales Review for 2014<sup>2</sup> showed that 60 % of people in Wales rely on TV for their news about Wales, and 53 % for local news. Only 12 % cited newspapers as their main source for news about Wales and local news. However, broadcasting directed specifically at Welsh listeners and viewers has been under considerable pressure during recent years. This is highlighted in the draft PSB report. During the period 2008-2013 there has been:

- 17% reduction in the hours on the BBC for English-language programmes made specifically for Wales – down from 716 to 592 hours;
- 31% reduction in the hours on ITV Cymru Wales for English-language programmes made specifically for Wales – down from 477 to 331 hours (the greatest decline being in non-news output, with a decline of 80 hours on BBC Cymru Wales and 124 hours on ITV Cymru Wales);
- 22% decrease in spend on nations’ programming since 2008 – the biggest decrease compared with the other nations (Scotland saw an increase of 2.5%);
- The volume of hours network programming made in Wales has remained relatively low since 2008. Wales accounted for 1.4% of hours in 2013, a decrease from 2012 when it was 1.7%;
- After four years of relative growth, the share of spend by PSB channels on originated network production for Wales declined from 3.5% to 3.3% in 2013.

There is limited coverage of Welsh public life and society in UK newspapers and on UK broadcast services, which comprise the main media outlets in Wales. The portrayal of Wales in UK media does not reflect the cultural diversity and richness of the nation.

Effective democracy relies on informed decisions by citizens. Wales has limited news coverage and too few voices, leaving most people dependent on UK news outlets that lack coverage of Wales. Although there is evidence that there have been improvements in the coverage of devolved political issues in Wales since the King Report, this improvement is largely confined to the BBC. The news media provide

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<sup>2</sup> [http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/2014\\_CMWales.pdf](http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/2014_CMWales.pdf)

insufficient or inadequate coverage of Welsh issues and events. Most Welsh people have no easy access to the information and context needed to evaluate the success or otherwise of Wales’ institutions, or indeed, to understand the basic features of devolved government in the UK.

### **Constitutional arrangements and accountability**

There is little doubt that the broadcasting structures currently in place will change in the future. As a Government, we will continue to monitor developments and to be proactive in this debate, to ensure that any changes protect and serve the best interests of people and businesses in Wales. The significance of broadcasting to our emerging devolved life is such that new arrangements have to be found, within the existing constitutional settlement, that allow the interests of Wales to be debated, understood and argued for.

The majority of the Silk recommendations were in line with the Welsh Government’s initial evidence to the Commission, including broadcasting appointments and scrutiny of the BBC in Wales. However, the Silk Commission recommended that the current funding for S4C from DCMS should be devolved. We do not yet know whether there could be changes to the way the BBC is funded after 2017, following Charter renewal. With this in mind, any devolution of funding for S4C would have to be conditional on very strong safeguards in relation to its overall level of funding.

The Silk Commission supported our view that the overall regulation of broadcasting should remain the responsibility of the UK Government. In a rapidly evolving digital environment, and given the vital role that broadcasting institutions play in creating a common cultural citizenship for people across the UK, the PSB system would not be strengthened at present by dividing the overall responsibility for regulation of broadcasting among its constituent parts. However, this does not mean that Public Service Broadcasters and the regulator should only be accountable to the UK Government. We have been saying for some time that governance of broadcasting should reflect the reality of devolved government in the UK and should support the delivery of policy objectives set in Wales, for Wales - not just those set in Westminster for the whole of the UK.

Decisions about UK-wide media (such as BBC Charter renewal) are taken in Westminster. In the past this has often been with little formal involvement or representation of a Welsh perspective; as a result, the UK government has often failed to consider the specific situation and needs of Wales (or the other devolved nations) when developing policy and strategy. For example, despite the importance of S4C to the Welsh economy and to safeguarding the Welsh language, the Welsh Government was not consulted before the UK Government’s announcement on 20 October 2010 in relation to the wide ranging changes to the future funding and governance of S4C. Also, the DCMS consultation on media ownership and plurality<sup>3</sup> in 2013 made no mention of Wales, or of S4C.

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<sup>3</sup> <https://www.gov.uk/government/consultations/media-ownership-and-plurality>



## **BBC and Charter Renewal**

The Welsh Government is fully aware of the importance of the renewal of the BBC’s Royal Charter, which has potential implications for BBC Cymru Wales, S4C and the independent production companies across Wales which provide content for both.

We expect to be fully involved in the Charter Renewal discussions from the outset. Wales must and will have a voice in these deliberations, otherwise changes may be instigated at the BBC that do not meet Welsh needs. It is vital that the new Charter properly reflects the current and changing devolution settlement, and that it recognises and protects the interests of the people of Wales. The Smith Commission called for a formal consultative role for the Scottish Government and the Scottish Parliament in the process of reviewing the BBC’s Royal Charter - and for the BBC to have greater accountability to Scotland thereafter. This should be the starting point for ongoing representation and accountability in all of the devolved nations. As a first step, we fully expect that Wales should and will be treated in the same way as the other devolved nations in the Charter Renewal negotiations - and that any new governance arrangements for the BBC will deliver improved accountability to all the nations and regions of the UK, including Wales. In addition, the suggestion that Scottish Ministers should have the power to appoint a Scottish member to the Ofcom board is in line with the recommendation of the Welsh Government and the Silk Commission about the appointment of the Ofcom board member for Wales.

The role of the BBC is even more important in Wales considering the weakness of the print media. There are several references in the draft review to the fact that the BBC, as the cornerstone of public service broadcasting, provides the majority of PSB investment and output. The BBC dominates English-language programmes made specifically for Wales, producing 592 hours in 2013 compared with ITV Cymru Wales’ 331 hours. The Welsh Government is naturally concerned that between 2011 and 2013 there was a decline of 101 hours in BBC non-network nations programming, with non-news declining most. However, we recognise that the BBC is still providing the bulk of non-news non-network programming in Wales, providing 222 hours in 2013 in contrast to 34 hours by ITV Cymru Wales. It is also the most significant provider of non-network television news in Wales and, by a smaller margin, of current affairs programming.

In recent years, the BBC’s investment in Wales has reduced, at a time when its investment in Scotland, Northern Ireland and key English regions has increased. Wales has seen a reduction in BBC expenditure and a corresponding fall in GVA from £292 million in 2009/10 to £288 million in 2011/12, while GVA in Scotland increased from £355 million to £410 million and in Northern Ireland from £138 million to £151 million<sup>4</sup>.

The requirement for BBC Cymru Wales to find budget savings of 16% over the four years from 2011 as part of the Delivering Quality First proposals represented a potentially disproportionate threat to the BBC’s local services in Wales. The Welsh

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<sup>4</sup>Source: *The Economic Value of the BBC*, published by the BBC on January 15<sup>th</sup> 2013 – <http://www.bbc.co.uk/blogs/aboutthebbc/entries/65a7abeb-7e74-3b2f-858e-72786cbc5790>

Government remains very concerned about budget reductions to BBC Cymru Wales. It is also vital that a national service, whether on television or radio, should extend beyond news and current affairs. The BBC has always played a crucial role in reflecting and reinforcing the culture of Wales, in both the English and Welsh languages. It is crucial that the BBC continues to produce and provide high-quality political coverage, despite concerns about the impact of budget cuts on BBC Cymru Wales’ political output.

The Welsh Government has been clear in discussions with the BBC Executive in Cardiff and in London that the development of Cardiff as an increasingly important centre for network productions provides no justification for reducing the BBC’s investment in local services. There should be a clear commitment to safeguarding and strengthening the core services which are aimed at Welsh viewers and listeners – in both languages, but especially in English, where there has been a notable reduction (17%) over the last few years, including news and non-news programming. We appreciate that BBC Cymru Wales has decided to prioritise spending in its news and current affairs output. However, it is unfortunate that BBC Cymru Wales no longer produces any English language drama or comedy specifically for Welsh audiences – especially given its enhanced reputation for high-end TV productions, in the UK and internationally, thanks to the success of Doctor Who, Casualty, Wizards & Aliens and more.

The BBC’s corporate vision should also encompass the contribution which the BBC in Wales can make to the Corporation’s creative output for the UK as a whole. Developing BBC Cymru Wales as a major production centre for drama, with the support of the Welsh Government, has highlighted the possibilities in this area. The success of productions mentioned above, amongst others, underlines the fact that Wales has real potential as a production location. However, whilst we value the BBC’s drama presence here and the benefits it brings, it is not as secure as it would be if the BBC also had a commissioning base in Wales. This is something we hope to explore further.

We welcome the intention to strengthen network production in Wales and the other nations within the UK. This will bring creative as well as economic benefits for the BBC as a whole. We welcome the proposal that the target of 17% for television programmes for the nations will be met earlier than 2016. Our expectation is that that at the very least 5% of network production should originate in Wales, from a mix of in-house and independent productions. This should represent a floor rather than a ceiling for Welsh creativity.

The Welsh Government remains committed to working in partnership with the BBC as it continues to build on its successes in Wales, to maximise the economic and cultural opportunities that will arise from the further development of drama and network production business in Wales.

Considering all of these issues, it is crucial that the new Charter fully reflects the interests of the people of Wales and the current and changing devolution settlement. Our priorities will include, but not be limited to, ensuring that there is:

- Sufficient funding for BBC Cymru Wales for news and non-news programming in the Welsh and English language. BBC Cymru Wales’s budget of course has to

cater for Welsh and English programming which of course is different to the position in Scotland.

- > Sufficient funding for S4C.
- > Accountability – the need to strengthen the current governance arrangements in place and reconsider the role of the Audience Council of Wales.
- > Ongoing commitment to an increase in both ‘Out of London’ productions and the BBC’s investment / economic impact in the nations and regions of the UK, including Wales.
- > Continued improvement in the portrayal of Wales on network BBC productions.
- > Availability of BBC Radio Wales on FM
- > A HD version of BBC2 Cymru Wales.

## **S4C**

It is vital that S4C has sufficient funding, as well as having editorial and managerial independence, for it to continue to play a crucial role in support of the Welsh language and the creative industries in Wales.

Since 2010, S4C has found itself in a very different position, as result of the decisions taken by the UK Government as part of its Comprehensive Spending Review. Now, 90% of S4C’s funding comes from the licence fee. We welcome the fact that this funding has been guaranteed until the end of the current licence fee settlement in 2017, however S4C has not yet received confirmation of the DCMS contribution for 2016-17. It is vital that this is agreed as soon as possible. The Welsh Government remains very concerned about S4C’s financial position. Funding for the channel has reduced by 36% since 2010; it is inevitable that this will have an impact on the output available to viewers. We have consistently stated that there should be no further cuts to S4C’s budget and the UK’s Secretary of State for Culture, Media and Sport has a statutory duty, as outlined in the Public Bodies Act 2001, to ensure that S4C receives sufficient funding.

The Welsh Government welcomed the announcement in 2013 that a six-year agreement had been reached between the BBC Trust and the S4C Authority on the future funding, governance and accountability of S4C. The agreement also, importantly, protects the editorial and managerial independence of S4C. We are encouraged by the greater collaboration between the BBC and S4C - and also that the Operating Agreement is much wider than the funding and accountability arrangements, extending to a creative partnership at all levels within the BBC and S4C.

The first priority of course should be for S4C and the BBC to begin to deliver on the back of the partnership, working together to build on their agreement and develop a sustainable future for Welsh language broadcasting. Because of the crucial importance of S4C’s role, we also believe that the partnership should at some point be subject to an independent review, agreed by all parties in the National Assembly for Wales. The commitment to seek agreement for such a review is outlined in our Programme for Government.

In over 30 years of operation, S4C has played a leading role in promoting and safeguarding the Welsh language. S4C has a key, ongoing role to play in ensuring

that the Welsh language continues to thrive. It helps to establish and enliven Welsh as a language, as part of everyday life in Wales, and its services for children and young people make an important contribution to increasing their use of Welsh. Through its factual, historical and cultural programmes, S4C enriches Welsh society. It has - and will continue to have - an important part to play in delivering the vision set out in the Welsh Government’s Welsh Language Strategy.

Our creative industries are a Welsh success story and make a vital contribution to our economy. S4C’s commissioning policy has greatly contributed to the growth in the independent media sector in Wales, in both English and Welsh. Wales now has a number of highly successful independent production companies that are creating content for many channels and networks, but S4C has been central to their initial development.

### **Channel 3**

The Welsh Government is fully aware of the importance of ensuring plurality of English language television in Wales in news and also general programming aimed at Welsh viewers. The channel 3 news service should not be viewed as a ‘regional news’ service, but as an essential democratic national news service for the people of Wales. ITV Cymru Wales continues to have a vital role to play as an alternative to the BBC for news and non-news programming. However, we are very concerned with the 31 % reduction in hours (477 to 331) on ITV Cymru Wales for English-language programmes made specifically for Wales between 2008 and 2013. Worryingly, the greatest decline was in non-news hours with a decrease of 124 hours. The majority of this decline occurred in 2009 following a reduction in the licence quota.

We have said before that licensees are most accountable to government at the time of licence renewal, and in our view financial considerations overrode the needs of the Welsh people when the 1990 licence award for Channel 3 was made. This, combined with subsequent relaxation of licence conditions, allowed the service in Wales to diminish, economically and in terms of Welsh content. The Welsh Government has regularly stressed that a new licence was an opportunity to redress this balance and restore a more appropriate level of provision, protected for the future. We asked for consideration to be given to a level of provision that reflects the cultural diversity and richness of Wales and its people.

As reflected in our response to the Ofcom consultation in 2013 on the Channel 3 licence, the Welsh Government does not view the existing level of provision as appropriate, or even adequate; it is a minimum standard that barely manages to deliver against very basic Public Service Broadcasting requirements. Protecting the existing coverage provision should have been the minimum condition for renewal of the Channel 3 licence. We would like to see an increase in provision and this is reflected in our Programme for Government. We believe that increasing the provision is appropriate, especially considering ITV plc’s current healthy financial position.

We welcomed the creation of a separate Channel 3 licence for Wales which we believe should reflect Welsh identity in both name and output, as is the case with the equivalent Channel 3 licences in Scotland and Northern Ireland. We are disappointed that the opportunity was not taken to strengthen the terms of the licence, both to

guarantee a higher level of service provision for Wales and to protect that service in the event of any change of ownership, but we remain committed to a constructive dialogue with Ofcom and ITV to maximise the impact of the licence in Wales.

The recommendations of the King report are relevant to ITV network news and Channel 4 news and it is vital that these channels appropriately represent the devolved nations. We have urged Ofcom to reflect this in its analysis of Public Service Broadcasting.

### **Channel 4**

The Welsh Government strongly believes that if Channel 4 receives public funding then it should be required to produce at least a population share of network commissions in the nations and regions. This is fully in conformity with Channel 4’s role in developing new talent throughout the UK. We were disappointed that Ofcom did not agree with our view, as reflected in our response to its consultation, that the Channel 4 quota for Out of London productions should be implemented by 2016 rather than 2020. It is still our view that Channel 4 should be able to achieve the new quota level significantly before the 2020 deadline.

Channel 4’s record in commissioning content from Wales has historically been negligible; Channel 4 spend in Wales remains below 1% of total Channel 4 content spend and the broadcaster, which is based in Scotland, has no commissioning staff in Wales. This should be seen in the context of its existing target for Out of England TV production, which for some time has been 3% and has recently been amended to 9% by 2020. When Channel 4 launched its 4IP on-line initiatives to develop community-based news and public service facilities online, considerable efforts were made in Wales to attract a share in the programme, but without success.

The Welsh Government worked successfully with Channel 4 on the Alpha Fund. This was a useful starting point for the development of a more strategic relationship with Channel 4. Ultimately we would like to see a permanent Channel 4 presence in Wales.

### **Local Television**

The Welsh Government wishes the new local television stations every success, including *Made in Cardiff*, the only station currently on air in Wales. However, our priority as a Government is to protect services at a national level. It is encouraging that towns and cities in Wales have been earmarked as potential locations for local television services, but a matter of concern that a significant proportion of Wales will not be served by the proposed new services.

### **Changing models of delivery**

We agree with Ofcom that a steady evolution is taking place in the global broadcasting market, providing new options for delivery and consumption of content. These are gaining traction with both broadcasters (who are diversifying their offer in terms of broadcast channels available and delivery of content via other platforms; e.g., VOD, online) and with viewers, for whom linear broadcasting remains important but who are increasingly taking advantage of the flexibility afforded by delivery over new platforms.

Universality and discoverability of PSB content remains important and these principles should be broadened and protected, so as to be relevant to a more connected world. We agree with Ofcom’s assessment that an incremental change to the definition and regulation of universality is the most sensible approach, as various new service offers across multiple platforms mature. If broadcasters see value, whether financial or strategic, in moving the delivery of some PSB content away from linear programming on established PSB channels, then they should provide a sound business case to Ofcom for consideration, but it must show how the broadcasters or their delivery partners on other platforms will ensure that this PSB content is both discoverable and promotable to key audiences, whether they are across the UK or in specific nations and regions.

From a regulatory perspective, consideration of such an approach would go hand in hand with Ofcom’s suggestion that regulation by organisation rather than channel may be more appropriate in future. We agree that Ofcom should consider this in more detail and we stand ready to engage in discussions on this, which might sensibly proceed in parallel with deliberations about renewal of the BBC Royal Charter; the BBC would seem to be the ideal candidate for early consideration of such an approach, given its primacy as a deliverer of PSB content in the UK and the increasing diversification of its existing service portfolio.

Finally, the Welsh Government would cautiously agree that some consideration be given to the relationship between the PSBs and the independent production sector, given the consolidation and acquisition that is occurring. However, we would be wary of any quota changes that could allow the production of in-house content by the PSBs - and the commissioning of independent PSB content - to move away from the nations and regions and back towards London and the South-East. Any changes would need to protect the steady movement towards delivery of existing production targets in the nations, which could still be reconsidered and strengthened further.

### **Digital Television**

Digital switchover was successfully completed in Wales on 31 March 2010. However, switchover has not been a universal success in Wales due, in part, to the topography of the country. Some rural and mountainous regions receive a limited number of commercial channels, due to the fact that they are served by relay transmitters rather than full multiplex transmitters. As noted in the draft review, Wales has the worst coverage of all the nations in relation to 6MUX coverage with only 70.7% coverage, compared with 90% in the UK as a whole. In addition, some viewers living close to the border with England, who had no issues post switchover in 2010, were affected when switchover occurred in England in 2012. There has been some improvement in the situation during the past two years, with realignment of wrongly positioned domestic aerials and additional transmitters coming into service, but pockets remain in Wales where the number of commercial channels available to viewers is limited, unless viewers subscribe to satellite television or make a one-off payment for FreeSat. The Welsh Government would welcome any developments which would enable the highest percentage of viewers possible to access the largest number of channels possible without additional expenditure.

## **Radio Broadcasting in Wales**

### **Commercial Radio**

As noted in the draft review, Wales only has three independently owned commercial radio stations, with the remainder being part of larger groups.

As part of the Communications Review process between 2011 and 2013, the Welsh Government informed DCMS that we would not wish to see further relaxation or removal of the current localness rules. In particular we expressed our wish for any new legislation to include a commitment for commercial radio stations to reflect the language of local communities. Under the existing legislation commercial radio stations are not obliged in their output to reflect the language of local communities unless such a condition is included in the licences. This issue, of course, was a factor in the discussions in relation to Ofcom’s Welsh Language Scheme

### **DAB**

The Welsh Government has consistently stressed that we would not be in favour of digital switchover for radio until there is a guarantee of at least 97% coverage for DAB throughout Wales. We welcomed the UK Government’s announcement in December 2013 that it will continue to invest (with the BBC and commercial radio operators) in support of digital radio roll out. We recognise that there have been improvements in DAB coverage in Wales in recent years. However, the DAB service in Wales should not be worse than Welsh AM/FM radio coverage at present and should be available in areas where currently the national radio stations can only be received on the AM spectrum (in Wales there have been technical and related difficulties which mean that many consumers are not able to receive Radio Cymru/Wales on FM). This is particularly important in view of the fact that people in Wales listen to more hours of radio per week than the UK average, with 51% of the total listening hours being to BBC network stations.

The Welsh Government continues to be concerned that even when the proposed criteria are met on a UK basis, there would almost certainly be a significantly lower level of DAB penetration in Wales. DAB needs to provide an enhanced service if listeners in all parts of the UK are to be persuaded of its merits. We urge Ofcom to continue to liaise with the BBC and other stakeholders in order to attain the best service for consumers throughout Wales.

### **Community Radio**

The Welsh Government believes that community radio provides a key service for local residents, reflecting the issues affecting people and their communities. During the review period the Welsh Government was able to assist radio stations holding community radio licenses awarded to them by Ofcom. The Community Radio Fund (CRF) was established in 2007/08 with the aim of complementing Ofcom’s fund by assisting community radio stations with their core costs. The sum of £100,000 per year was set aside for five years from 2008/09 with the Fund being extended for twelve months into 2013/14.

## **Conclusion**

New business models in creative have emerged in recent years enabling individuals and small companies to compete with the largest and the best. The Public Service Broadcasters are amongst those leading the way in innovative use of new models for delivering content, but linear broadcasting is remarkably resilient, and it is likely to remain the most popular method of consuming broadcast content for some time to come. However, there is a generation gap emerging in the way content is consumed. Whether it is live or on demand, on a TV or computer, on a tablet or smartphone, the Public Service Broadcasters are leading innovation in the diversification of content delivery and we are keen to ensure that this brings new opportunities for jobs and growth in Wales.

Across the UK, broadcasting and television production are major industries in receipt of significant public funding. New digital media industries are creating opportunities, many of which will benefit from government intervention and support. Wales needs to secure a fair share of the economic benefits from this activity, but there is evidence that Wales has not had an equitable share from the present spending allocation of the Public Service Broadcasters.

The Welsh Government is fully aware of the economic impact of broadcasting. For example independent research had shown that for every pound that S4C invests in content, it produces almost two pounds of added value to the Welsh economy. In addition it has been reported that over the course of the production of Y Gwyll/Hinterland the combined effect of the direct, indirect and induced rounds of spending equate to an estimated £1,040,000 spent in Aberystwyth. This is very encouraging and shows what can be achieved.

A vibrant media sector is an essential component of a modern democratic society. As a nation with its own language, culture and political institutions, a strong media is essential to provide a comprehensive service that informs, educates and inspires the people of Wales. The Welsh Government will continue therefore to stand up for maintaining full services in the Welsh and English languages at a national and local level.

We look forward to setting up formal processes with Ofcom and the UK Government to discuss and develop the important issues outlined in this response. In the meantime, we urge Ofcom to expand the final version of its review to include additional material we have requested here – especially its assessment of the impact of options which might be considered, during Charter renewal deliberations, for the future remit, structure, governance and funding of the BBC.