



S4C's response to "Small Screen: Big Debate"

Ofcom's Consultation on the Future of Public Service Media

16th March 2021

General comments

The Importance of Public Service Broadcasting

We welcome Ofcom's support for the public service broadcasting system and their recognition of its importance to the UK and its individual nations.

Public service broadcasting continues to be central to the viewing of content in the UK. Although there are now a range of other services and providers, the traditional public service broadcasters such as S4C offer a unique service to the audience and the ability to deliver this in the future should continue to be protected. S4C is the only broadcaster that offers a full service in Welsh every day of the week and across a range of genres and platforms. This is essential to the audience and vital in terms of the future of the Welsh language.

We also play an important role in supporting the wider creative industry. As the broadcaster that commissions the greatest number of hours of content from Wales each year¹ S4C is a cornerstone of the screen sector in Wales. Almost 80% of our public funding is invested in content from companies across Wales.

In 2019/20, S4C was responsible for an economic impact of £197.4m in the UK economy and of £141.1m in Wales.² With direct expenditure of £102.7m in 2019-20, we support an average of 101 FTE jobs within S4C and 2,334 employees and freelancers in our supply chain – with the vast majority of these in Wales.³ The benefits of public broadcasters such as S4C are therefore important not only for the audience but also the wider economy and workforce. Protecting this is vital to the future of broadcasting in Wales and the UK.

Modernising the regulatory system

We also welcome the fact that Ofcom are engaging with the significant changes in the media landscape and recommending that the regulatory system be modernised to reflect this. The public service broadcasters are already on the journey of transformation to become public service media providers and S4C is no exception to this.

S4C was established as a public service broadcaster with the unique purpose of providing a Welsh language television service. In the wake of the Independent Review of S4C published in 2018, the UK Government

¹ In 2019, the BBC produced 629 hours and ITV 332 hours of local programmes for Wales (Media Nations 2020: Wales Report (Ofcom)) compared to 1,664 hours by S4C.

² S4C's Economic Impact Research (Arad Research, 2021)

³ *ibid.*

agreed to amend S4C's statutory remit to become a provider of Welsh language content on television, online and through any other technology.

S4C has now evolved from a television channel broadcaster to a provider of media services across a range of platforms across the UK. While continuing to provide the television channel, we have developed our S4C Clic player, expanded Hansh (our online brand for young people) and developed our own digital news service for the first time.

S4C has played an important role in normalising the Welsh language. In order to keep the Welsh language part of the everyday life of younger people and future generations, it is essential that S4C distributes content in the digital space and that such content is easy to find. **The digital world is a space that offers more choice than ever, and English language content dominates the most popular platforms.** Given all this, the challenge of raising awareness of Welsh language content, and getting younger people involved with it through the medium of Welsh, is huge.

In future, S4C will want to rise to this challenge by significantly increasing its investment in digital and multi-platform content and making the content available on a wider range of platforms.

To ensure that our investment in digital content is effective and makes the best use of public money, it is vital that the regulatory framework ensures that the audience can easily discover and enjoy that content.

We therefore welcome Ofcom's recommendations to modernise the legislation to ensure sufficient availability and prominence for public service media providers on digital platforms. As part of this, we believe that content providers in the UK's indigenous languages should have a high level of prominence across platforms and devices – otherwise, there is a real risk that these languages will not be visible among the wide choice of English-language content.

We also want to emphasise the urgency of introducing these changes, in order to keep pace with technical developments and consumer behaviours.

Response to Consultation questions

Question 1: Do you agree that a new regulatory framework for public service media delivery should support a more flexible, 'service neutral' delivery approach that is more outcome focused?

We agree that there needs to be a more flexible framework in the online world that is 'service neutral'. For example, Ofcom currently sets a quota for news programmes for our television channel based on a number of hours, including those shown in peak hours. Looking ahead, we want to invest more in our digital news service, including the launch of a news app, which will target younger audiences. As part of this work, we will be packaging news as short-form video clips on social media and the app, offering breaking news throughout the day. Any future metrics will therefore need to reflect the nature of this type of service, rather than just measuring hours and peak hours.

Question 2: Do you agree with our proposals for a clear accountability framework?

We agree with the suggestion that public service media providers should submit their own plans for the provision of public service media, reflecting the nature of the services they offer, but further discussion will be needed on the type of metrics Ofcom would expect to see. We believe that a new framework needs to be developed that is proportionate, practical to implement and designed to ensure that public service media objectives are realised in the online world.

Context to our response to questions 3 and 4

We very much welcome Ofcom's recommendations to amend existing legislation to ensure prominence and availability of public service media in the online world. We refer to our opening remarks above, which emphasise the importance of making Welsh language content prominent and easy to find amongst so much choice of English language content. In research we recently conducted with focus groups, one of the main messages from the groups was the need for S4C's player to be available on smart TVs. Without this, our on-demand content is invisible to much of the audience. The S4C player should be available on all smart TVs as a standard requirement.

We also refer to the joint submission from S4C and the other public service broadcasters ('Joint PSB submission on prominence, inclusion and fair value') and published on Ofcom's website in conjunction with the Consultation.⁴ This includes specific proposals on how a regulatory

⁴ https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0027/208818/psb-submission-broadcasters.pdf

framework for prominence and availability could be drawn up in the future.

The availability and prominence framework should extend not only to relevant platforms but to new modes of video delivery that are likely to become popular, e.g. Ultra HD, just as HD capacity was assigned to the public service broadcasters when it was originally launched on DTT.

In addition, **we would like Ofcom to consider offering different levels of geographical prominence in a digital world, as already exists with television EPGs.** In the case of S4C, there is a specific public service value to our content for consumers in Wales and that content should be easy to find in Wales. On those platforms where it is possible to identify the location of the user, the order of services on the user interface could be varied and we would recommend giving a higher level of prominence to the S4C player in Wales.

To answer Ofcom's specific questions:

Question 3: What do you think should be included in the PSM 'offer'?

S4C's position is slightly different to that of the other public service broadcasters. S4C has its own player - S4C Clic - which includes live streaming of the television channel, catch-up on all our television programmes, some content streamed online only (e.g. live sports), box sets (new and archive) and material available only or mainly online (e.g. Hansh and Walter Presents).

In addition, S4C's content is available on the iPlayer, which offers a simulcast of the television service and the ability to catch-up on our television programmes, apart from some exceptions where rights do not allow. We are pleased that the audience can view content on iPlayer or on S4C Clic as they choose, and the iPlayer has undoubtedly attracted a new audience to S4C's content. It is a prominent and popular platform that enables our content to be available on a very wide range of platforms and devices, and that is to be welcomed.

Under our partnership with the BBC, our content will continue to be available on the iPlayer. However, as we develop S4C Clic, the difference between the two services will increase in future in order to reach the widest possible audience. Our plan is to develop S4C Clic as a destination for a wider range of Welsh language content, including digital News, S4C Local, short- and mid-form material and suitable content from external partners. The data we collect through S4C Clic will enable us to market and tailor content which is targeted at the audience according to their viewing habits.

To coincide with the investment in our player, we want to ensure that S4C Clic is available on all the main platforms where the players of the other public service media providers will be available. As our resources are limited, we will need to prioritise this expenditure and we cannot guarantee that we will be available on all versions of all possible platforms.

Therefore in the joint submission with the other public service broadcasters, we have suggested that the new regulatory regime should apply to S4C Clic in full, with the exception that S4C should have the option to be available on some platforms through the iPlayer only. In practice, we will choose to put S4C Clic on all the most popular platforms for using audio-visual services.

Question 4: What options do you think we should consider on the terms of PSM availability?

We agree with the terms suggested in the joint submission presented to Ofcom by the public service broadcasters.⁵ The submission calls for a 'regulated Commercial PSB Offer' if an agreement cannot be reached with the platform but, as set out in the document, that would need to be tailored in the case of S4C Clic. The main variation that we anticipate is that all S4C Clic content should fall within these terms, similarly to all the iPlayer content, rather than limiting it to content recently broadcast on television.

Having regulated terms is particularly important for a minority language provider such as S4C, rather than having to rely on negotiating power with global companies who control the main platforms. We agree that public service media providers need to be offered fair value for their content, including the following terms:

Prominence: as noted above, ensuring prominence of public service media providers' on-demand services is crucial and, without that, the benefits of the public service media system would be undermined.

Packaging the service: it is the public service media provider who should have control over the content and format of their service, rather than the platform being able to disaggregate individual pieces of content according to their choice and without recognising the provider's brand.

⁵ https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0027/208818/psb-submission-broadcasters.pdf

Data: the ability to collect and use data is crucial to enable public service media providers to understand their audience and offer and recommend content according to their tastes and needs. This data should be owned by providers rather than platforms, and they should have the right to analyse it in order to improve their offer and content by gaining better insight into the audience.

Advertising income: with the expectation that advertising income from linear television will decrease over the next few years, we need to minimise the impact of this by increasing advertising income and sponsorship from digital services. We are concerned that many of the global platforms have standard terms and conditions that allow them to retain a significant percentage of any advertising income derived from content on their platform. Terms are needed to regulate this to ensure that public service media providers are able to maintain their advertising and sponsorship income in the digital world in order to continue to invest in quality content.

Finally, while the legislation on availability and prominence on new platforms needs to be modernised, there is also a need to retain the current requirements for television services for the foreseeable future. Despite the increase in online viewing, there is an expectation that linear television viewing will continue for years to come, with digital terrestrial television (DTT) remaining a popular platform, as a free-to-air service with wide geographical coverage. As linear services will continue to be an important way for the audience to enjoy the services of public service broadcasters, we believe that the regulatory requirements for the prominence and availability of the public service broadcasters on linear platforms, including DTT, need to be maintained.

Question 5: What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches?

We do not propose to offer an opinion on the funding of the UK's public service media in general, but wish to note that support from public money is essential for S4C. As a Welsh language media provider, S4C would not be able to survive in the commercial market and therefore there is a commitment in statute to fund S4C as part of the UK Government's support for the UK's indigenous languages.

S4C is currently funded primarily from the licence fee, and will be funded entirely from the licence fee from 2022 onwards, apart from some commercial income. The Secretary of State for DCMS has a statutory duty to ensure that S4C receives sufficient funding to deliver its public services. The process of determining the level of public funding for 2022 –

27 has begun and we have recently submitted an application to the Secretary of State for the level of our funding for this period.

We are also continually looking for additional sources of income to increase investment in Welsh language content, including:

Advertising and sponsorship income: as noted above, we are exploring new ways to increase the income from our digital services because of the expected fall in income from the linear service. It is therefore important to have a regulatory framework that ensures fair terms for public service media providers on digital platforms so that the income they receive is not eroded by the standard terms of the platforms.

Specific funds: we believe that there is still a place for Government to support particular needs or gaps in UK media provision through the establishment of specific funds. For example, the Young Audiences Content Fund (YACF) was established in 2019 to boost the amount of original content for children and young people produced in the UK. S4C has been successful in eight applications to the fund, working with other UK broadcasters.

Tax credits: the Government has also provided a stimulus for companies to create content in the UK where there is a particular need or worth, by offering tax credits on production expenditure e.g. for animation, children's content and drama and high-end content. It should be noted that many of these existing tax credits are aimed at productions with much higher budgets than those in indigenous languages such as Welsh. However, if it were possible to create a new category of content eligible for tax credits, namely content in the UK's indigenous languages, we believe that this could make a significant difference. As well as increasing the quality and quantity of content in these languages, it could be an economic boost and attract investment in areas that tend to be relatively deprived.

Question 6: What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven't identified?

The public service broadcasters, whilst competing for audiences, are also well accustomed to collaborating with each other in a number of areas where there are clear benefits of doing so. S4C is also constantly looking for opportunities to partner with broadcasters and other organisations, where it makes sense to do so and benefits the audience.

Since the outset, S4C has had a close partnership with the BBC, and that relationship has evolved since S4C began to be funded through the licence fee. For example, S4C content has been available on the iPlayer since 2014 (live and catch-up content); we have pioneered and developed co-production methods to film back-to-back in Welsh and English and this has led to collaboration on several successful series with BBC Wales including *Hinterland/Y Gwyll*, *Keeping Faith/Un Bore Mercher* and *Hidden/Craith*; and we have recently transferred our broadcast and technical operations to the BBC, by combining the activities of both broadcasters in Central Square, Cardiff in order to generate savings.

We are also working with ITV Wales – e.g. on a plan to develop digital journalists for our young people's service *Hansh Dim Sbin* – and have jointly commissioned a factual/entertainment series with Channel 4. S4C has also led on plans with the other broadcasters to develop skills within the sector in Wales.

Beyond the traditional public service broadcasters, S4C is also innovating for the benefit of Welsh language audiences by working with wider partners. Our new partnership with Golwg to publish and curate news as part of our new digital service *Newyddion S4C* offers a new route to the multiplicity of independent news in Welsh. And our partnership with Teli Môn to enable local content to be created in Welsh for communities also has the potential to offer innovative public media provision with a far-reaching impact on the Welsh language and the sector in Wales.

With regard to technological advances, major developments in recent years have been a combination of proactive collaboration between government, regulators, broadcasters and manufacturers e.g. launching digital TV, launching Freeview, HD and the switchover from analogue to digital. It is very likely that this kind of collaboration will be needed in the future e.g. on Ultra HD, and we would be willing to play a part in this.

Question 7: What are your views on the opportunities for new providers of PSM?

We limit our comments below to Welsh language provision, but would like to make a general point that any decision to add to the number of public service media providers should not be at the expense of giving prominence to existing providers.

We note Ofcom's comments:

"7.17 It may ultimately not be possible for the current public service broadcasters to connect with all audiences online and across broadcast TV

services. Given this challenge, the future PSM system may benefit from including new providers offering additional content, alongside the breadth of content provided by existing PSBs.”

S4C is well aware of this challenge and is developing plans to extend beyond the traditional audience for Welsh language content and to try to connect with audiences of all ages across a variety of platforms. It is vital that we use the money we receive from the licence fee to extend our provision and reach in this way – this is a public investment in the future of the Welsh language and in supporting the economy and jobs in communities across Wales.

Ofcom refers to providers such as Sky and Discovery who now make a significant contribution to the media offering in the UK, but the situation is quite different in the context of Welsh language content. There is a unique responsibility on S4C, given its revised remit and the level of public funding, to be at the forefront of providing content that engages with younger audiences, to make a vital contribution to the future success of the Welsh language and to support the economy in Wales through its significant expenditure in the independent sector in Wales.