



# Ofcom Review of Public Service Television Broadcasting – Phase 3 Report

A BBC Response – April 2005

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## Executive Summary

Ofcom's Phase 3 report continues to explore the rapidly changing nature of the UK television market and focuses particularly on the future health of Public Service Broadcasting in the Nations and Regions of the UK. Among other areas, it outlines new proposals for programming in the Nations and English Regions and invites comments on proposals for indigenous language broadcasting in the Nations.

It is on these areas, in particular, that the BBC welcomes the opportunity to engage with Ofcom's analysis. The BBC's local, regional and Nations services are an integral part of the way it builds public value across the UK. The BBC's commitment to the UK's indigenous languages stretches back to the Corporation's foundation and has been constantly renewed and reinvigorated since then, leading in 2005 to the first multimedia, multiplatform pan-Nations indigenous language learning project, *Colin and Cumberland*.

Ofcom's analysis and recommendations, therefore, demand careful scrutiny and evaluation. There are many broad areas of consensus between Ofcom and the BBC on its proposals for consultation in Phase 3:

- There remains both a need and public support for large-scale public intervention and funding in broadcasting, in local and regional programming as much as at a UK level.
- Plurality and competition in the provision of PSB are important. The BBC has no aspiration to be a monopoly supplier of PSB at any level of provision.
- We agree with Ofcom that there is a higher level of audience engagement with programming for Scotland, Wales and Northern Ireland.
- Supporting and developing the transmission of programming in the UK's indigenous languages is a crucial aim for Public Service Broadcasters.

However, particularly in Scotland and Wales, the BBC does not always agree with Ofcom's assessment and believes some of its proposals would not necessarily strengthen indigenous language broadcasting in those Nations.

This submission responds first to Ofcom's proposals for non-news regional programming and then to its particular recommendations regarding the UK's indigenous languages.

In summary:

## **1. Non-news regional programming**

- The BBC believes that the effects on audience and industry of reducing ITV's regional programming in England to 1.5 hours a week should be carefully assessed before confirming the proposed further reduction to 0.5 hours. There are significant risks to plurality of provision, particularly in Current Affairs and Parliamentary coverage.
- The BBC has already extended programming for the English Regions, and as requested by both Ofcom and the Government is developing further plans for well-funded, editorially ambitious programming. These will include current affairs series, targeted regional programming and making creative use of regional inserts to support network landmark series.
- The BBC believes its proposals for local television are highly distinctive and are unlikely to adversely affect commercial developments in this nascent market. A limited pilot service in the West Midlands should provide the BBC and Ofcom with direct and valuable data on audience need, performance and market impact.
- Full roll-out of the service will not be approved before it has undergone a Public Value Test by the Board of Governors, including a market impact assessment.

## **2. The future of Welsh language broadcasting**

- The BBC welcomes Ofcom's examination of some of the significant issues facing S4C and the debate that has ensued. While we do not agree with aspects of the assessment, we share Ofcom's view that this is an appropriate time to modernise and renew the BBC's creative partnership with S4C.
- The BBC believes that the interests of Welsh language audiences would be best served by a closer working relationship between the BBC and S4C that can take a broad view of Welsh language broadcasting as a whole and address the significant challenges ahead for broadcasters.
- The BBC has proposed the creation of a new Strategic Partnership between the BBC's Board of Governors and the S4C Authority to codify the BBC's formal commitments to Welsh language television and to make the BBC's contribution as transparent and publicly accountable as possible. Discussions are under way to take these proposals forward.

### **3. The future of Gaelic broadcasting**

- The BBC was originally omitted from Ofcom's assessment of current and future provision in Gaelic. We welcome Ofcom's subsequent recognition that the BBC has played and will continue to play a major role in Gaelic broadcasting.
- The BBC is currently engaged in constructive discussions with the Gaelic Media Service and other interested parties around the delivery of a new cross-media digital Gaelic service. The BBC believes there are a number of operational and editorial areas where it can add substantial public value.

### **4. Programming in Irish and Ulster Scots**

- The BBC agrees with Ofcom's assessment of PSB responsibilities towards the various languages and identities of Northern Ireland.
- The BBC is engaged in a productive partnership with the Irish Language Broadcast Fund. TG4's efforts to be broadcast as widely as possible in Northern Ireland will bring more Irish language programming to audiences, though this will not affect the BBC's own commitments to the Irish language.
- The BBC will build on the success of current output in Ulster Scots and further develop its links with Ulster Scots speakers through community initiatives and television programming.

# 1 Non-news regional programming

## 1.1 Introduction

1.1.1 Ofcom's Phase 3 report continues the debate begun in Phase 2. It outlines continuing challenges for ITV's regional programming in England. While protecting the plurality of regional news and regional production for the network, it confirms the reductions in non-news regional output proposed in Phase 2 and suggests further reductions in output post-switchover.

1.1.2 At the same time, the report proposes that the BBC takes on an enhanced role in the delivery of regional television, building on its own proposals outlined in *Building Public Value*. It recognises that the BBC should not offer a direct replacement of programming no longer available on ITV1, but proposes that the BBC be asked to develop new proposals of its own to provide more regional television for the English Regions.

## 1.2 Future of ITV

1.2.1 The BBC accepts that ITV will come under increasing commercial pressure as digital switchover approaches. It is, therefore, sensible that ITV focuses on viewers' priorities as outlined in Ofcom's Phase 3 report. However, we would query the timing and the scale of Ofcom's proposals for ITV's reductions in output.

1.2.2 In the BBC's response to Phase 2, we questioned Ofcom's view that the current level of regional opts was not economically sustainable pre-switchover and, therefore, we argued against the cut to 1.5 hours a week.

1.2.3 Phase 3 outlines further thinking around Ofcom's plans to manage the transition to their 'new model'.<sup>1</sup> In particular, Ofcom is keen to stress the balance between retaining PSB obligations for as long as possible and removing them immediately. The preferred approach is to plan and manage the transition period to meet viewers' needs now and to provide for them in the digital age.

1.2.4 In the context of maintaining this balance, there is a strong argument that the move to 0.5 hours should not be considered until after evaluation of the effect of switchover in practice. Additionally, any move should be dependent on a review of the impact on audience and regional producers of the planned cut to 1.5 hours. The BBC believes that after the reduction to 1.5 hours Ofcom should analyse the effects on audience and industry, and review commercial economic capacity, before confirming the further reduction to 0.5 hours.

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<sup>1</sup> Ofcom, *Review of public service television broadcasting*, Phase 3, p. 49

1.2.5 The proposed further cut is likely to have significant and negative impact on audiences. For instance, the 0.5 hour per week quota will include Current Affairs and Parliamentary coverage. This means that current levels of provision in many licences will be reduced, despite Ofcom's evidence that audiences value this element of ITV's regional service and value plurality of supply to ensure creative competition.<sup>2</sup>

1.2.6 The BBC welcomes Ofcom's continued support for non-news programming in the three Nations. However, while the number of hours is being maintained, the increased sharing of output in Scotland will reduce the amount of original programming produced, with consequent effects on talent and industry. Again, we believe that the effects of Ofcom's proposals pre-switchover should be monitored carefully before the proposed cuts post-switchover are implemented.

1.2.7 The future prospects for commercial local television are unclear and services are unlikely to be rolled out until after switchover. As Ofcom acknowledges, many issues remain to be resolved (e.g. allocation of spectrum, viability of commercial services, assessment of the possible role of the PSP in the provision of local services etc).

1.2.8 The BBC's own plans for local television (expanded on below) are only a partial solution. Further destabilising the current balance of commercial regional PSB provision should not be pursued until a complementary model for local television has been agreed. Otherwise, Ofcom's stated goal of plurality is less likely to be achieved.

### **1.3 An enhanced role for the BBC**

1.3.1 The BBC's current regional television service is based mainly around news, politics and current affairs, though the BBC also invests heavily in local radio and local online services.

1.3.2 In our response to Phase 2, we cautioned against Ofcom's suggestion that the BBC should extend its provision of non-news output in the English regions to compensate for the 1.5 hours a week reduction on ITV1. The BBC's services should primarily be driven by the needs of audiences, not filling in the gaps left by commercial broadcasters.

1.3.3 We therefore welcome Phase 3's confirmation that 'the BBC should not offer a direct replacement of programming no longer available on ITV1'<sup>3</sup>. It is also worth noting that the Government's recent Green Paper comes to a similar judgement: 'the BBC should not simply compensate for the reduction of ITV regional output'<sup>4</sup>. However, both reports encourage the BBC to develop new proposals of its own to provide more well-funded television programming for the English regions.

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<sup>2</sup> E.g. 15% of viewers place a high societal value on regional Current Affairs – *ibid*, p. 43

<sup>3</sup> *ibid*, p. 42

<sup>4</sup> DCMS, *Review of the BBC's Royal Charter*, p. 41

1.3.4 The BBC accepts that it will need to take the lead in services for the Nations and English regions, as ITV's presence and obligations are reduced. We have already increased regional output in England in a number of distinctive ways that have responded directly to audience need and resulted in substantial audience take-up.

1.3.5 Both Ofcom and the Government highlight the regional inserts in landmark series like *British Isles: A Natural History* as a new way of reflecting regional diversity<sup>5</sup>; BARB data demonstrates that the regional inserts added to network reach and share across the UK. A number of similar landmark series are currently in development across the BBC that will make use of similar inserts, as well as involving a greater degree of active local involvement by audiences.

1.3.6 It is vital that the BBC retains the flexibility to provide this and other regional output in England when and where it maximises the benefits for audiences. For instance, the BBC relocated regional current affairs from BBC Two to BBC One with the launch of *Inside Out* in September 2002. In doing so, audiences to regional current affairs more than doubled and stories from the series have on occasion led the national news agenda.<sup>6</sup> Recent examples of one-off landmark programming include special programmes on the first weekend of the ban on fox-hunting, a devolution debate in the North East and a programme marking the anniversary of the Birmingham pub bombings, all with strong audiences. The BBC believes well-funded and editorially ambitious regional programming is as valued by audiences in the English regions as in the three Nations.

1.3.7 However, as Ofcom's Phase 2 and 3 reports highlight, changes in technology are creating different and potentially more effective ways of serving audiences in the Nations and regions. We also note the mounting evidence that regional television is insufficiently local to meet the needs of communities, having been hindered for decades by technology, topography and patterns of transmitters. Ofcom's research suggests that many viewers would prefer more local news to the current model of regional provision. We believe it is important to consider new ways of harnessing digital TV technology and broadband distribution, rather than relying on the simple replication of traditional models of regional opt-outs.

1.3.8 Again, the BBC has outlined proposals to adapt to these changing audience needs and which will exploit the opportunities for enhanced services created by new digital technologies. In *Building Public Value*, we set out a number of areas where the BBC could add greater public value in local programming.

1.3.9 The most significant of these was our proposal to launch a series of local television services across the UK, delivering news and information services to around 60 separate areas and encouraging audience involvement

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<sup>5</sup> Ofcom, op. cit., p. 43; DCMS, op. cit., p. 41

<sup>6</sup> For instance, see BBC London's report on the possibility of segregated education on *Inside Out*, Monday March 7<sup>th</sup> 2005.

in creating local content. This would, for the first time, deliver local BBC television services in the three devolved Nations and answer the growing audience demand for universal, trusted local news and information.

1.3.10 Both Ofcom's Phase 3 report and the Green Paper note the BBC's plans in this area, and seek further understanding of how the proposals might be implemented and on their possible impact on the commercial local TV market.

1.3.11 We welcome expressions of interest in local television from Ofcom, the Government and from parts of the media industry, but would note that before the BBC outlined its proposals, commercial interest in local television was limited. It seems likely that the BBC's involvement in local TV will contribute to opening up a commercial market rather than closing one down, similar to the BBC's role in digital terrestrial television and DAB.<sup>7</sup>

1.3.12 The BBC's local TV services, like its current local radio services, are likely to be focused on larger transmission areas than local community television, as well as offering a distinctive news-based service. We are keen to explore all partnership opportunities with not-for-profit community television and to build on current partnerships with community radio.

1.3.13 The BBC's proposals for local television are still in development and, like other new BBC proposals, are dependent on the licence fee settlement. However, in embryonic areas of the market like local television, it is important that the BBC clearly defines the distinctiveness of its potential contribution. There are core underlying principles in our theoretical model which will mark the BBC's role in local TV as distinctively public service and complementary to any future commercial provision:

- Universal coverage: the BBC's local TV services will be available across the whole UK and deliver a consistent service to all licence fee payers at a similar level of granularity as BBC Local Radio.
- News and information: the core service will be local news, building on the BBC's highly distinctive local radio news output and sourced through local news hubs in each area. This will also maximise the benefits to licence fee payers from investment in existing public service local news resources.
- User-generated content: substantial material will also be delivered through creative interaction with audiences, building on BBC initiatives like *Video Nation*, *Digital Storytelling* and BBC Open Centres and Buses.
- Languages: in Wales, we anticipate launching Welsh language local TV services to complement S4C's provision for the whole Welsh nation, as well as English language services. Provision in Gaelic and

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<sup>7</sup> C.f. BBC, *Building Public Value*, 2004, p. 41

other indigenous languages will depend on developments elsewhere (e.g. a possible Gaelic TV channel).

- Connecting in a Crisis: like the BBC's Local Radio stations and regional news services, we would expect local TV to play an important role at times of crisis and emergency.

1.3.14 Evidence so far shows a strong demand for local news-based television services and an appreciation of the BBC's perceived strengths in delivering such a service. However, more direct evidence is still needed. To assess the real value of the BBC's potential contribution to local television, the BBC expects to pilot a local television service for a strictly limited nine-month period in the West Midlands. During the period of the trial, audience behaviour and attitudes to the service will be carefully monitored. Qualitative and quantitative feedback will inform the development of the service during the pilot and will contribute to the final evaluation. We would be happy to share the final results of this research with Ofcom.

1.3.15 The pilot and the evidence gained from it will also be used to inform the Public Value Test which is currently under development. A critical part of the test is a market impact assessment. Only if the public value added by the service outweighs any potential negative market impact will continuation and full roll-out be approved.

1.3.16 These new proposals for television, both regionally and locally, will enhance the BBC's current commitment to regional broadcasting. Ofcom's report highlights the recent strong performance of the BBC's regional news programmes at 18:30. They remain the most watched news programmes in the UK, with the highest daily reach of any news programme.<sup>8</sup> Performance is also strong in non-news programming: across 2004, opt-out programmes added to audience share in all three Nations. We are determined to continue this successful delivery of regional and Nations content to audiences who clearly value it.

1.3.17 The BBC believes that the combination of these proposals provides a strong balance for future provision. The mix of current programming and new developments, delivered at a local and at a regional level, should secure delivery of the BBC's public purposes to audiences across the UK into the digital age.

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<sup>8</sup> Source: BARB

## 2 The future of Welsh language broadcasting

### 2.1 Introduction

2.1.1 Annex A of Ofcom's Phase 3 report sets out a series of proposals for broadcasting in the UK's indigenous languages. This section of the BBC's response considers Ofcom's proposals for Welsh language television broadcasting.

2.1.2 Ofcom's report rightly praises S4C's huge contribution towards supporting the Welsh language and culture throughout Wales, and in the Welsh-speaking community outside Wales. It notes that S4C's audiences and funding model will come under increasing pressure in the medium term. The report therefore sets out three possible options for S4C's future:

- The 'status quo': this option incorporates significant changes to the relationship with the BBC, including greater transparency in the relationship, a clear financial commitment from the BBC and greater editorial control for S4C. It also raises the possibility of transferring the share of the BBC licence fee spent on Welsh language television output directly to S4C.
- Incorporating S4C entirely into the BBC: Ofcom do not believe this is an attractive option as it reduces plurality in Wales and removes S4C's independence and focus.
- A Welsh-language PSP for Wales: this is a long-term franchise-based model that would let bidders propose new solutions to Welsh language broadcasting, including the delivery of S4C's current television service.

2.1.3 It is important, at the outset, to underline the BBC's whole-hearted support for S4C. We recognise the vital and active role S4C has played in supporting the Welsh language for almost a quarter of a century. S4C's single-minded focus on serving the Welsh-speaking audience has sustained Welsh language culture through television and has made a crucial contribution to the current health and vitality of the language itself.

2.1.4 The BBC is proud of its contribution over many years as a broadcaster and producer of Welsh language services. We also recognise and welcome the high value that the S4C Authority places on the BBC's continuing contribution to S4C. Our commitment to the Welsh language stretches back to the BBC's pioneering broadcasts in 1923. Since then, the BBC has constantly refined and renewed its commitment to Welsh language broadcasting in response to changing audience demands and technology; from VHF radio and colour television, to online, mobile WAP services and our latest plans for local television.

2.1.5 With this legacy of commitment from both organisations, proposals that radically affect the service either one provides to Welsh speakers obviously need to be assessed with great care.

2.1.6 The BBC welcomes Ofcom’s examination of some of the significant issues facing S4C. While we do not agree with all aspects of the assessment, we share Ofcom’s view that this is an appropriate time to modernise and renew the BBC’s creative partnership with S4C, and ensure that Welsh speakers continue to benefit from this unique public service partnership.

2.1.7 This response explores the issues addressed by Ofcom’s analysis, sets out the BBC’s response to them, and outlines our own proposals for a new Strategic Partnership between the BBC and S4C. This Partnership, expanded on in section 2.8, is designed to renew the public service bond between the BBC and S4C and extend the BBC’s creative contribution to the channel.

2.1.8 This renewed partnership should at least encompass the following:

- A strong model of governance, publicly and transparently demonstrating the BBC’s formal editorial and financial commitments to Welsh language television.
- An increase in the BBC’s programme supply to S4C, in line with S4C’s programme strategy.
- Regular programme and commissioning reviews at executive level.
- A broad commitment to shared services and the possible sharing of resources.

2.1.9 The BBC has formally proposed a strategic partnership based on these principles to the S4C Authority and discussions are under way to take the proposals forward. We are confident a closer engagement between the two organisations – at every level – can deliver tangible benefits to Welsh-speaking audiences not only in Wales, but across the UK.

## **2.2 The changing world of Welsh language broadcasting**

2.2.1 The Review of the BBC’s Royal Charter takes place at a time of unprecedented changes in audience behaviour and in the media industry. These changes present challenges for all broadcasters, including S4C. Ofcom’s report, among others, highlights the funding pressure S4C is likely to face after switchover, and the declining audiences to S4C associated, in part, with the loss of Channel 4 programming.

2.2.2 Analysis of recent audience trends in Wales highlights one of the most significant changes in Welsh broadcasting: the high penetration of digital television in Wales, higher than anywhere else in the UK. Digital TV reaches

68% of all individuals in Wales and is even higher among Welsh speakers at 70%, compared with the UK average of 60%.

2.2.3 Many channels have seen their audience share decline with the rise of digital, multi-channel homes, including the BBC's own channels. However, S4C has suffered the largest proportional decline; since 1995 it has lost over half of its audience share, with a fall from 7.6% in 1995 to 3.0% in 2004.<sup>9</sup> However, more promisingly, figures for the early part of 2005 do suggest an upturn in peaktime viewing.

2.2.4 This overall viewing decline is down to two factors: the loss of audiences for Channel 4 programming and a fall in the proportion of Welsh speakers watching S4C. In the period from 1985 to 1995, S4C's reach among Welsh-speaking viewers rose to 85%, but it has since declined to 69% in 2001 (latest available S4C figures).<sup>10</sup>

2.2.5 In addition, while television viewing in general is concentrated among older generations, S4C's audience has a particularly heavy proportion of older viewers. Over half of S4C's adult audience – 52% – comes from those over 65, while just 24% is made up of 16-44 year olds. The next oldest channel is BBC Two, with 40% of its peaktime audience aged over 65.

2.2.6 Viewing to the BBC-produced programmes on S4C has suffered from the general audience decline experienced over recent years. As part of our proposals for a new strategic partnership, we are committed to working closely with S4C to improve our shared understanding of audience changes, and to ensure our programming response fully reflects these changes.

2.2.7 On the face of it, the decline in Welsh language television audiences seems at odds with the overall increase in the number of Welsh speakers. The 2001 census found that 20.8% of the Welsh population – approximately 582,400 people – were Welsh speakers, an increase on the 1991 census figure of 18.7%. Most of these new Welsh speakers have been taught the language at school rather than at home, with 41% of those aged 5-15 being classed as Welsh speakers – a considerable increase from the 1991 figure of 26%.<sup>11</sup>

2.2.8 However, while the total number of those speaking Welsh has increased, the majority of these newer speakers are using it as a second language in predominantly English-speaking environments, mostly outside the traditional Welsh-speaking heartland areas. Unsurprisingly perhaps, these younger speakers have proved a difficult audience for S4C to capture, and the channel continues to rely heavily on traditional first-language speakers.

2.2.9 Compared to television, Welsh language radio listening has proved more resilient. BBC Radio Cymru's reach has remained remarkably stable over the past 10 years, falling less than 6% between 1995 and 2004. Of

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<sup>9</sup> Source: BARB

<sup>10</sup> Source: BARB

<sup>11</sup> National Statistics Online, <http://www.statistics.gov.uk/cci/nugget.asp?id=447>.

course, competitive growth in the radio universe has not been as strong as in television but Radio Cymru's share of listening has increased by 12% over the same period. While its overall age profile is similar to S4C's, the number of Radio Cymru listeners aged under 35 increased by 40% between 1996 and 2004.

2.2.10 The decline in S4C's audience and the relative stability of BBC Radio Cymru has been accompanied by a third trend: the increased use of Welsh language internet services. Usage of the BBC Cymru'r Byd website has shown healthy growth since its launch in March 2000, although it remains at a relatively embryonic stage. Monthly page impressions for BBC Cymru'r Byd stood at 933,000 in March 2004, roughly double that for the previous year and eight times the level in 2001. Three-quarters of BBC Cymru'r Byd users are aged under 45, similar to other internet services.<sup>12</sup>

2.2.11 This analysis reveals significant issues for Welsh language television that go far beyond institutional relationships. Any approach aimed at maximising the potential for audience development must take a broad view of Welsh language broadcasting as a whole. It must seek to understand the broadcasting world which the new generations of Welsh speakers inhabit, where Welsh language programming is part of an overall bilingual mix. We believe a closer strategic relationship between S4C and the BBC is the first step to addressing these fundamental issues.

2.2.12 As part of our proposals for a new Strategic Partnership with S4C, we have invited S4C to pursue a joint approach to audience research to help develop a shared understanding of Welsh language audience needs and behaviour. We are also keen to explore joint marketing initiatives, to ensure landmark services in both languages are promoted effectively across all media and platforms.

## 2.3 The relationship between S4C and the BBC

2.3.1 Over the last two years, the relationship between S4C and the BBC has been examined and commented on in a series of reports and submissions. This response aims to address the key issues raised by these various reports. These include, in addition to Ofcom's Phase 3 report:

- The S4C Authority's report – *A Welsh Language Television Service Fit for the 21<sup>st</sup> Century?*<sup>13</sup>
- Professor Roger Laughton's review of S4C for the Department of Culture, Media and Sport<sup>14</sup>
- S4C's submission to the DCMS as a part of its review of the BBC's Royal Charter<sup>15</sup>

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<sup>12</sup> Source: BBC server logs

<sup>13</sup> S4C Authority, 2004

<sup>14</sup> Laughton, *S4C: An Independent Review*, 2004

- The Government's Green Paper on the future of the BBC<sup>16</sup>

2.3.2 The BBC's commitment to S4C goes back, of course, to the founding of the channel in 1982. Since then, the BBC has supplied S4C with not less than 10 hours of programming a week, funded by the licence fee, to the 'reasonable requirement of the Welsh Authority'. The BBC produces many of S4C's most popular Welsh language programmes, including *Y Clwb Rygbi* and *Pobol y Cwm*. In 2004, the BBC produced 35% of S4C's analogue output which accounted for 49% of its total audience (excluding viewing to Channel 4 programmes).

2.3.3 In its own review of S4C output, the S4C Authority praised the BBC's creative contribution, stating that 'the BBC's programmes continue to be central to the success of S4C's programme service... The scope and authority that characterises the BBC's news coverage, in Welsh, just as in English, have also had an important bearing on the audience's perceptions of Welsh language television more generally... We believe that it can only be to the benefit of Welsh speaking viewers that one of the world's major cultural organisations has made such a wide ranging and long term commitment to broadcasting through the medium of Welsh.'<sup>17</sup> The Government's Green Paper also recognises and endorses the role the BBC plays in supporting indigenous language broadcasting across the UK.

2.3.4 Ofcom's report raises a number of issues regarding the relationship between S4C and the BBC, including matters of governance, funding and programme commissioning. We agree that these structural questions should be debated and resolved, but the BBC does not believe they should be the starting-point for a dialogue about the future of Welsh language broadcasting. By focusing its assessment on these matters, we believe that Ofcom's proposals are too focused on structural remedies, short-term institutional arrangements and the single medium of television.

2.3.5 The BBC's approach – and our proposed Strategic Partnership – is based around the needs of the audience and the Welsh language; that is our foremost concern. We believe our proposals will strengthen S4C by deepening the BBC's creative support. But, more importantly, we are convinced that by extending our relationship, our partnership will deliver greater public value to viewers.

## 2.4 Editorial direction

2.4.1 The issue of the editorial control of BBC programmes broadcast on S4C has been raised in a number of different contexts: in Ofcom's report as 'greater editorial control for S4C', in the Green Paper as 'where responsibility should rest for decisions on content', and in S4C's submission to the DCMS

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<sup>15</sup> S4C, *S4C Response to the Review of the BBC's Royal Charter*, 2004

<sup>16</sup> DCMS, *Review of the BBC's Royal Charter*, 2005

<sup>17</sup> S4C Authority, *A Welsh Language Television Service Fit for the 21<sup>st</sup> Century?*, 2004, p. 31

as a means of ensuring that BBC programmes ‘represent a constructive response to and participation in S4C’s overall programme strategy’.

2.4.2 The phrase ‘greater editorial control’ is a broad description with the potential to cover very different areas: from control over production quality or standards, through editorial control of the BBC’s news provision, to control of commissioning or alignment with S4C’s programme strategy.

2.4.3 There would seem to be little evidence that greater control is needed because of declining production quality or standards. Professor Laughton’s review describes the BBC’s news service and its supply of *Pobol y Cwm* as ‘two pillars of S4C’s programming strategy... The production values of these, and of all the programmes supplied by BBC Wales, are high.’<sup>18</sup>

2.4.4 It is important that whatever institutional arrangements are made keep audience needs at their heart and promote creative plurality in Wales. If the BBC were to lose editorial responsibility for individual programmes or for commissioning, it would effectively eliminate any plurality of commissioning in Welsh language television. In S4C’s view: ‘the BBC’s predominantly in-house production mode offers a counterbalance to S4C’s commissioner-broadcaster methods. Both have their value and strengths... When the BBC acts as a commissioner of independent producers, it effectively provides a second market for the independent sector for Welsh-language programmes, which can be beneficial, provided editorial policy is consistent with S4C’s overall programme strategy.’<sup>19</sup>

2.4.5 Ofcom’s proposals in this area suggest that S4C requires greater editorial input in order to shape the channel’s schedule more effectively. 90% of the BBC’s annual contribution of programming to S4C is made up of News and Current Affairs, *Pobol y Cwm* and Sport. This is all returning, guaranteed programming that has been supplied to S4C for many years with their full agreement.

2.4.6 However, the BBC recognises that it needs to ensure – and publicly demonstrate – that its programming contribution is fully aligned with S4C’s published programme strategy. A new Strategic Partnership between the BBC and S4C would cover the supply, quality and performance objectives of the BBC’s contribution. This would enable the S4C Authority to assist the Governors in shaping the remit of the BBC’s contribution and ensuring it is effectively aligned with S4C’s over-arching programme objectives. The BBC’s effectiveness in meeting these objectives would also be jointly monitored by the BBC’s Board of Governors and the S4C Authority. Our senior programming teams are also committed to working closely with S4C management to ensure the execution of our programming and service commitments demonstrably supports S4C’s editorial strategy. As part of this the BBC would like to propose regular performance reviews, including the appraisal of agreed performance indicators as well as regular editorial feedback for programme teams.

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<sup>18</sup> Laughton, op. cit., p. 16

<sup>19</sup> S4C, op. cit, p. 3

## 2.5 The scale of the BBC's commitments

2.5.1 The BBC's primary commitment to S4C has always been a creative one. We have certainly sought to maximise the cost-effectiveness and value of our Welsh language contribution over recent years, but we have also maintained and built on our commitment to creative excellence. We believe the performance of our programming on S4C suggests we have done so successfully.

2.5.2 Professor Laughton's report on S4C raises a number of questions concerning the monetary value of the BBC's commitment to S4C. Although he recognises the BBC has fully discharged its statutory obligations – and acknowledges the creative quality of this contribution – he concludes that the value in real terms of the BBC's contribution to S4C has fallen over recent years.<sup>20</sup> His report also argues that the BBC's overall cost per hour for English-language programming has risen faster than S4C's<sup>21</sup>, and notes that licence fee income has risen at a faster rate than the BBC's contribution to S4C, or S4C's overall income.

2.5.3 We would like to offer three points of clarification on Professor Laughton's analysis. First, while his programming cost per hour comparisons appear to imply a significant under-funding of S4C, it appears he is using the cost of the BBC's network programming for the whole UK as his benchmark rather than BBC Wales's cost per hour figures for either English or Welsh language programming.

2.5.4 Second, comparisons between S4C's income and the overall level of the licence fee are misapplied. Past above-inflation increases in the licence fee were publicly earmarked for investment in new digital services – television and radio networks as well as digital infrastructure and interactive services – not for better-funded general programming. In fact, stretching efficiencies were demanded of all BBC programme-makers to help deliver digital investment and launch new services.

2.5.5 Third, it is true that over the last ten years the financial value of the BBC's contribution to S4C has fallen in real terms. However, since 2000 the BBC has recognised the need to increase investment in its programme supply to S4C and has done so by more than the rate of inflation each year: a significant reinvestment initiated some time before the current debate over the BBC / S4C relationship.

2.5.6 S4C's submission also makes a comparison between BBC investment in English and Welsh language programming in Wales, pointing out that the BBC has recently invested relatively more in English language programming for Wales.<sup>22</sup> The relationship between funding and audience need is explored

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<sup>20</sup> Laughton, op. cit, p. 16

<sup>21</sup> *ibid*, p. 20

<sup>22</sup> S4C, op. cit., p. 7

in section 2.6, but it should be noted that despite the BBC's recent investment in both languages in Wales, the overall level of public funding for Welsh language television is still three times higher than overall funding for English language television for Wales, approximately £90m against £32m respectively. This disparity is expected to widen further in the wake of ITV's reduced commitments in Wales.

2.5.7 However, the result of focusing on the minutiae of direct spend comparisons is that the significant benefits of indirect funding are overlooked. The BBC's overall contribution to Welsh language television programming is in fact much higher than the headline figure of direct programming investment. Any assessment of the BBC's contribution would have to include the benefits derived, for instance, from access to the BBC's global news network, access to BBC sports rights, cross-promotion on BBC services, subtitling, cost-effective coverage of the proceedings of the Welsh Assembly etc.

2.5.8 In whatever way the value of the BBC's current contribution is measured, we believe the time is right to underline our commitment to Welsh language television by further extending our creative contribution to S4C. We have already proposed an extension of our news service to daytime hours, and we are currently developing proposals to support S4C's strategy in a number of other areas. We will also explore how this additional commitment might help support the development of the Welsh independent production sector.

## **2.6 Clarifying the BBC's commitments**

2.6.1 Ofcom's proposals specifically call on the BBC, for the first time, to provide a 'clear ongoing financial commitment to S4C', in addition to the current statutory commitment. These proposals follow Professor Laughton's conclusion that the financial value of the BBC's contribution has eroded over the last ten years.

2.6.2 We recognise that budgetary changes within the BBC can seem arbitrary and unpredictable from the outside. The proposed Strategic Partnership with S4C is intended to remedy this. The BBC's Board of Governors will clearly set out the corporation's financial commitment to Welsh language television in advance. In future, any BBC proposal to vary the financial value of the contribution would also be subject to prior discussion between the Governors, the S4C Authority and the Broadcasting Council for Wales.

2.6.3 We could not, however, support or justify to licence fee payers a proposal that required the BBC to fix the financial value of our contribution for future years irrespective of changing audience consumption and needs. Investment flexibility – albeit with a statutory guarantee of supply and a clear statement of proposed spend – is essential for the appropriate development of cross-platform content and services.

2.6.4 We would also point out that both BBC and ITV regional quotas are measured in hours, not spend; one of Ofcom's regulatory principles is that it is better to regulate outputs and outcomes rather than inputs, i.e. hours rather than spend.<sup>23</sup> What matters is the value of our programmes and services to audiences, and to S4C, not how much it costs the BBC to make them.

2.6.5 Throughout the last five years the BBC has also had a stretching series of value for money targets set by Government. Between 2005 and 2009, even more demanding targets are being set across the whole of the BBC. At a time of financial stringency and strategic reassessment – and when audience demand for Welsh language television has weakened – it would be difficult to defend to audiences any policy that artificially and exclusively protected the BBC's contribution to Welsh language television. No other BBC service is protected in this way, including other Welsh language services.

2.6.6 Effectively ring-fencing the contribution would also remove the incentive to drive efficiencies and value for money as funding would always be secure and protected. It is hard to justify this approach with any programming funded by the licence fee.

## **2.7 Proposals to transfer licence fee funding**

2.7.1 Ofcom's report suggests that guaranteeing the value of the BBC's financial contribution and transferring editorial control to S4C might, eventually, lead to the direct transfer of licence fee funding from the BBC to S4C, enabling it to contract out elements of its service to other providers.

2.7.2 The notion of transferring licence fee funding from the BBC to other broadcasters at a UK level has been ruled out by the Government for the time being. Though rejected, it is worth noting that the original rationale put forward at a UK level was that public service broadcasters might need direct public funding in addition to commercial revenue to sustain their PSB obligations. This rationale has no substance in Wales, where S4C is already in receipt of direct and substantial public funding for PSB programming from the DCMS.

2.7.3 As we have argued elsewhere, the transfer of the licence fee to other broadcasters would weaken the BBC's accountability to licence payers for how their money is spent. The licence fee currently provides a direct link between the BBC and the British public. Most people know that their licence fee pays for the BBC – including its programmes on S4C – and they have demands and expectations as a result.

2.7.4 Transferring the licence fee would also jeopardise the critical mass of Welsh language production that the BBC has trained and supported over many years. Cross-media development and the nurturing of talent would also be undermined.

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<sup>23</sup> C.f. for instance Ofcom, *Radio – Preparing for the future*, 2004, p. 73

2.7.5 We also believe S4C recognises the strength of these arguments. In its submission to DCMS, S4C argues that ‘there are important strengths in the current shared arrangements, which reflect S4C’s status as an independent broadcaster based in Wales and where the BBC’s Welsh language programmes are a core part of the public service that the BBC provides in Wales and not just a narrow contractual obligation. Assuming that the licence fee continues to be the method by which the BBC is paid for, we believe it to be to the benefit of the viewing public that it should remain under the control of the BBC.’<sup>24</sup>

## **2.8 Developing a new Strategic Partnership**

2.8.1 The BBC agrees with S4C and Ofcom that a merger with S4C would not be an acceptable way forward for the relationship. In addition to reducing plurality, the needs of Welsh language viewers would not be well served by radical institutional upheaval during a period of intense competitive pressure. We also acknowledge the strength of S4C’s brand and the focus that can be given to Welsh language television by an autonomous organisation.

2.8.2 In the light of the audience analysis we have outlined above in section 2.2, Ofcom’s proposal for a Welsh language Public Service Publisher could look attractive. A new PSP could be focused on younger Welsh-speaking audiences and could be more flexible in its use of media than a dedicated television service.

2.8.3 However, the BBC believes that a PSP should be considered solely as an addition to the current ecology. S4C has an irreplaceable heritage and a particularly strong legacy of political and audience support. The BBC is wary of any proposal that could disrupt the connection that S4C has with its audience.

2.8.4 However the debate around future options unfolds, we do not believe the PSP is a solution to the issues currently under debate. We are confident these more immediate matters can be addressed through a renewed public partnership between S4C and the BBC, and without the need for major institutional disruption.

2.8.5 This Review of the BBC’s Royal Charter is an opportune moment to outline a new partnership, based on the original remit ‘to deliver programmes to the Welsh Authority’ but updated to reflect new challenges and audience needs.

2.8.6 The BBC Chairman has already proposed to the S4C Authority a wide-ranging Strategic Partnership in the interests of Welsh-speaking audiences. Some elements within the partnership have been explored before but some are new, and the BBC and S4C have never before attempted to bring all of them together into a coherent strategic whole.

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<sup>24</sup> S4C, op. cit, p. 5

2.8.7 The BBC believes a renewed partnership should at least encompass the following:

- i) A strong model of governance, where the partnership is underpinned and made to deliver real benefits by appropriate structures of cooperation and consultation at all levels, including between the BBC's Board of Governors, the S4C Authority and the Broadcasting Council for Wales. This would encapsulate the BBC's formal editorial and financial commitments to Welsh language television in a way which can be monitored and verified jointly by the Governors and the Authority.
- ii) An increase in programme supply from the BBC to support S4C's programme strategy, including an extended daytime news service and, if possible, collaboration over a local television service.
- iii) Regular programme and commissioning reviews at executive level, including the development of appropriate performance indicators for BBC output.
- iv) A broad commitment to shared services, including exploring partnership opportunities around consumer insight, audience research, subtitling, coverage of the proceedings of the National Assembly, new media and interactivity.
- v) The possible sharing of resources, including property, training, technical infrastructure and distribution arrangements.
- vi) A strong framework for accountability, aiming to demonstrate to stakeholders the benefits of the partnership. This would include developing and agreeing targets against which performance could be monitored.
- vii) Supporting the creative and cultural community, where S4C and the BBC collaborate on the wider development of multimedia content in Welsh (including from independent producers), supporting the emergence of creative hubs and centres of excellence, and maximising joint cultural impact.

2.8.8 The BBC has formally proposed a strategic partnership based on these principles to the S4C Authority. Discussions are under way to take the proposals forward.

## 2.9 Conclusion

2.9.1 The relationship between S4C and the BBC is one of the great strengths of broadcasting in Wales and has safeguarded the provision of high-quality Welsh language television for over two decades.

2.9.2 The BBC is committed to a renewed and positive partnership with S4C. We believe the proposals outlined in this response, which take account

of extensive audience and market research, are a good starting-point for discussions about that partnership.

2.9.3 We are confident that a strengthened relationship will guarantee the long-term delivery of high-quality public service Welsh language television to viewers and contribute to the survival and long-term health of the language itself.

## 3 The future of Gaelic broadcasting

### 3.1 Introduction

3.1.1 Ofcom's Phase 3 report outlines new suggestions for the future of Gaelic broadcasting on television. It summarises the current Gaelic obligations on the Scottish Channel 3 licensees (two hours a week) and concludes that this requirement will become unsustainable as switchover approaches.

3.1.2 However, switchover also allows the possibility of a dedicated Gaelic digital TV channel. The Scottish Media Group (SMG) have suggested that they could support the setting up of such a channel in return for reductions in their Gaelic obligations on ITV. Ofcom welcome the general direction of their proposals and propose to work further with SMG and the Gaelic Media Service (GMS) to explore the options for a Gaelic channel. Ofcom propose that once such a channel is fully up and running, it would be appropriate to remove SMG's other Gaelic language obligations entirely, though this would require changes to primary legislation.<sup>25</sup>

3.1.3 The BBC has been providing Gaelic language broadcasting for Scotland since 1923. It is the only multimedia provider of Gaelic output in Scotland, the largest single provider of Gaelic television and maintains the only Scotland-wide Gaelic radio service, Radio nan Gaidheal. Given this depth of commitment, it was surprising for there to be no recognition of the BBC in Ofcom's assessment of current Gaelic provision and no apparent role to play in its future development. This omission has subsequently been acknowledged in meetings with Ofcom representatives.

3.1.4 The BBC welcomes the comments on Gaelic language broadcasting within the Government's Green Paper on the Review of the BBC's Royal Charter, that 'the BBC has a crucial role to play in safeguarding Gaelic cultural heritage... The BBC will have a key role to play in any future channel'<sup>26</sup>.

3.1.5 This response outlines some of the areas that the BBC believes should be addressed in considering the future of Gaelic broadcasting and outlines the approach the BBC expects to take and the potential benefits it could deliver.

### 3.2 Gaelic broadcasting and the BBC's role

3.2.1 Gaelic is an endangered language, autochthonous to the United Kingdom and spoken by dispersed linguistic communities. The responsibility

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<sup>25</sup> Ofcom, *op. cit.*, p. 99 - 100

<sup>26</sup> DCMS, *op. cit.*, p. 42

for its survival and its renewal rests firmly with speakers, communities, organisations, agencies and governments empowered to protect it in this country. One of the most important tools for language survival is its reflection and promotion in all modern media, especially at a time of rapid and dramatic change in technology and audience behaviour.

3.2.2 The BBC has been committed to Gaelic-speaking audiences since its foundation, and it has demonstrated an unparalleled commitment in the range and quality of its output over many years. The BBC is unique in that it is the only broadcaster in the UK which co-ordinates Gaelic services across radio, television and online.

3.2.3 BBC Radio nan Gaidheal is the only Gaelic radio service in Scotland, broadcasting around 3,400 hours of Gaelic language programmes each year. BBC Two Scotland broadcasts some 150 hours of television programmes a year. The BBC Alba website achieves 40,000 hits per week and is consistently in the BBC Scotland top ten web-sites.

3.2.4 Together, the BBC's Gaelic services on radio and television reach 81% of the Gaelic-speaking audience. The Radio nan Gaidheal audience listens to the station for an average of 17.8 hours each week, an extraordinarily high figure which demonstrates the strong loyalty audiences have to the service. It reaches around 80% of fluent Gaelic speakers.<sup>27</sup>

3.2.5 However, in the context of the changing media world outlined by Ofcom in its Phase 2 and 3 reports, the current level of service and current methods of delivery may not be appropriate for audiences in the medium term or safeguard Gaelic's future in the long term.

### **3.3 A focused multimedia approach**

3.3.1 The BBC has worked in partnership with the Gaelic Media Service and its predecessors over the past twelve years to enhance the provision of Gaelic programming. The BBC believes that communities of interest – such as the BBC, GMS, SMG and the independent production sector – could be united through a refocused approach on a new Gaelic service, with co-ordinated output on television, radio and in new media. This service would include the setting up of a Gaelic digital television channel.

3.3.2 In this context, it is worth emphasising the value of a multimedia remit for any future Gaelic digital service. A multifaceted approach to Gaelic provision which makes the best use of new delivery mechanisms, such as broadband, is most likely to secure the long-term future of the language.

3.3.3 The BBC has already put proposals forward to the GMS and DCMS about deepening its commitment to Gaelic and outlining its current thinking about a Gaelic channel. The precise role of the BBC is, of course, partly

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<sup>27</sup> Audience figures for Gaelic viewing and listening are gathered by the Leirsinn Research Centre for the Gaelic Media Service.

dependent on the public funding available through the licence fee and through Government funding via the GMS.

3.3.4 The BBC believes it can bring a number of valuable characteristics to a future integrated Gaelic service:

- Long-term commitment: the BBC's commitment to Gaelic broadcasting will last as long as its Charter allows and would be unaffected by commercial pressures or market developments.
- A joined-up multimedia strategy: the BBC's unique presence in Gaelic on all media can maximise benefits from cross-promotion and cross-media development and commissioning.
- Payout: the BBC's new home at Pacific Quay from 2007 could supply the physical infrastructure for the long-term supply of a future-proofed service.
- A continued commitment to other forms of Gaelic broadcasting: some proposals in the public domain adopt a quid-pro-quo approach, with consequent removal of analogue provision.

3.3.5 The BBC could also bring valuable editorial support to a future integrated Gaelic service, in partnership with other providers:

- The BBC could help deliver a Gaelic News and Current Affairs service, building on its current radio and new media infrastructure and experience, and supported by its plans for local television in Scotland.
- Children's programming could include year-round provision of TV programmes for the pre-school audience and year-round multi-genre provision of children's programmes, extending the current GMS-funded children's strands.
- The BBC could be a provider of resources for a 'virtual' online Gaelic-medium secondary school, including the development of curriculum-based *Bitesize*-type TV and online resources in Gaelic.
- The BBC could make and schedule TV programming designed specifically for the language learner community, as well as taking greater account of the needs of this target group within existing strands.
- Drama is a strong way to connect both with the core Gaelic audience and with a wider audience. The success of *Gruth is Uachdar* across the Gaelic and English-language speaking audiences of BBC Two is evidence of broad audience interest in Gaelic drama and the BBC's track record in delivering it.

3.3.6 These are all areas where the BBC can add real value. However, the exact programme, funding and distribution strategy for the new service

remains to be resolved. The Gaelic Media Service is currently bringing the BBC together with a number of other parties (including Ofcom, Scottish Media Group and the Scottish Executive) to put together a sustainable strategy for a Gaelic television channel. We believe detailed discussions about the future basis for a channel should take place in inclusive multilateral discussions between those parties; this process is most likely to lead to a worthwhile long-term solution.

### **3.4 Conclusion**

3.4.1 The BBC offers to contribute to a long-term strategy for Gaelic which has a progressive, high-quality service for the audience at its heart, and which is underpinned by principles of sustainable growth and value for money.

3.4.2 The BBC alone can deliver content on multiple media, commissioned in complementary and strategic ways, to draw the audience into the digital future. It has deep resources in Scotland, the UK and across the world on which to draw to enrich a Gaelic service.

3.4.3 The BBC is committed to engaging in a meaningful dialogue with the various stakeholders involved in Gaelic provision to agree the delivery of a new service.

3.4.4 The outcome should be a critical mass of mature and confident Gaelic speakers, who will ensure the survival and long-term health of the language and enrich the cultural distinctiveness of the nation of Scotland.

## 4 Programming in Irish and Ulster Scots

### 4.1 Introduction

4.1.1 Ofcom's Phase 3 report sets out the ways in which the needs of the Irish-speaking and Ulster Scots communities in Northern Ireland are currently met. These include regular programming from the BBC as well as partial access to the dedicated Irish-language service TG4. Both the BBC and UTV provide the Ulster Scots community with programming that reflects its culture, music and history.

### 4.2 Languages in Northern Ireland and the BBC's role

4.2.1 There has been a marked growth in interest and participation in the Irish language with the 2001 Census confirming a pattern of sustained growth. There has also been a revival of interest in Ulster Scots in the last decade, though it is only comparatively recently, in the Good Friday / Belfast Agreement (1998), that the Government decided to give formal recognition to the Irish language and Ulster Scots.

4.2.2 The BBC recognises its responsibility to reflect the richness and diversity of the various languages and identities of Northern Ireland and will maintain its commitment to reflect its diverse cultural life. In recent years, we have increased our provision of programming and services related to Irish and Ulster Scots and we have a number of initiatives under way to continue this development.

4.2.3 The BBC in Northern Ireland started broadcasting in Irish on radio in 1981, with the initial 15 minutes a week on Radio Ulster now developing to four and a half hours a week. An important development over the past four years has been the establishment of an Irish language site as part of the BBC Northern Ireland website, streaming radio output, offering a 'listen again' facility for programmes and providing language learning facilities.

4.2.4 On television, the Irish Language Broadcast Fund has now been established in order to encourage production in Irish. The BBC is engaged in a productive partnership with the fund to build on its current television output in the Irish language. This will involve providing additional funding from within the BBC as well as bidding for funding from the fund itself. Any bids by the BBC for money from the Production Fund would be in order to create additional programming and not to subsidise existing programming.

4.2.5 The BBC has launched and will continue to invest in a new Language Learning Initiative for Welsh, Irish, and Scots Gaelic. *Colin & Cumberland* is a pan-Nations indigenous language learning project which uses animation and interactive web applications to offer opportunities to learn languages across all

ages. The website for *Colin & Cumberland* was launched in late February 2005. So far it has received over 6.6 million page impressions, the highest number of PIs any BBC minority language site has achieved in such a short period of time.

4.2.6 In considering an expansion of Irish language programmes, the BBC must take into account the potential ‘deprivation’ factor for the monolingual English speaking audience. This issue is, of course, partly alleviated by the existence of the dedicated Irish language channel, TG4. TG4’s efforts to be broadcast as widely as possible in Northern Ireland will bring more Irish language programming to audiences, though this will not affect the BBC’s own commitments to the Irish language.

4.2.7 For Ulster Scots, the BBC will build on the success of its dedicated Radio Ulster series *A Kist o Wurds*, and further develop its links with the Ulster Scots community through initiatives such as the *Voices* project and through a mix of cultural and linguistic television programming in Northern Ireland.

4.2.8 The BBC also notes that non-indigenous languages are playing an increasingly important role in Northern Ireland. The most significant ethnic minority community is Chinese, estimated at 8,000 and mostly Cantonese-speaking. This community is served by the BBC through weekly radio programming. As communities change and evolve, we will keep our coverage here under review.