



Taking responsibility for our media

**Response to the National Assembly Task and Finish Group
inquiry into the future outlook for the media in Wales**

**IWA Media Policy Group
November 2011**



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EXECUTIVE SUMMARY AND RECOMMENDATIONS	3
Introduction	9
SECTION A: CURRENT ISSUES	10
1 Channel 3 licences	11
2 BBC	14
Network production	14
BBC services for Wales	15
Fewer, Bigger, Better	20
Re-investment	22
BBC2HD	22
3 S4C	24
4 Local Television	26
5 Radio	28
BBC Radio Wales and BBC Radio Cymru	28
Radio Transmission	29
Commercial radio	32
Community Radio	33
6 Online	36
7 PSBs and Spectrum Allocation	38
8 Newspapers	40
SECTION B: CREATING EFFECTIVE INFLUENCE	45
1 Creating effective influence	45
2 Devolution and broadcasting	47
Appendix 1 – Sources	50

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Any healthily functioning society needs communications media that can connect people with their own communities, culture and democratic institutions.

As a relatively young polity, in recent decades Wales's need of a fertile and sustainable media landscape has grown. Paradoxically, at the very same time the traditional features of that landscape have been eroding, even as new technological vistas come into view. We can, too easily, be left with a sense of powerlessness, a sense that that landscape is beyond our control. This paper seeks to challenge that assumption.

There are big legislative and regulatory changes on the horizon: renewal of the Channel 3 licences in 2014, a new Communications Act in 2015 (or possibly sooner) and renewal of the BBC Charter in 2016-17. All these will affect Wales directly and have a capacity to alter our media and cultural landscape in fundamental ways.

Technology and media policy is moving quickly, but Wales currently lacks sufficient capacity to keep pace with events - either within the civil service, or the Assembly's hard-pressed 45-backbench members - to sustain continuous forensic analysis of this fast-moving scene, and to develop the necessary foresight to anticipate and shape developments.

There is an urgent need to establish systems – embracing Welsh and UK Ministers, the National Assembly, regulators, broadcasters, producers and Welsh civil society – that will generate for Wales a continuing, informed, timely and effective influence on policy and, where necessary, appropriate autonomy in governance and executive action.

This should include

- strengthening the civil service capacity in this field
- establishing better joint working between the Heritage and Business departments
- establishing a permanent independent media monitoring capacity
- setting up a working group to bring forward proposals for the devolution of some responsibilities in this field within a UK framework, with priority being given to responsibility for S4C, community radio and commercial radio licensing in Wales.

Wales also needs to develop urgently a coherent response to specific and foreseeable technological, content and funding issues that can affect our ability to sustain an informed democracy, a vigorous cultural life, and a thriving creative economy.

As a foundation for this task the Welsh Government should commission a full review of the needs of Wales – its audiences, democracy, culture and economy – in terms of broadcast and online services, and with regard for developing technologies. This should be done in order to establish what should be the elements of an adequate service for Wales in both Welsh and English and to arrest the recent and continuing decline in the television services for Wales.

Amongst the other priority issues facing policy makers are:

- The need to secure a future ITV Wales service by creating a national Channel 3 licence for Wales, to be advertised when the current licences expire. The Welsh Government and civil society must make it clear that automatic renewal of the current ITV licences is unacceptable.
- To need to prevent any further erosion of the BBC's services for Wales, in television, radio and online, particularly in non-news programming such as documentaries, entertainment, arts, music and drama.
- The need to secure completion of the BBC Investment in Roath Lock to enlarge its scope in ways comparable to the new BBC centres in Manchester and Glasgow.
- That S4C, the BBC and the Welsh Language Board should complete their promised joint study of the Welsh speaking audience, so that the public can be assured that both BBC and S4C are working to a common understanding of the audience.
- To explore the role of the BBC and S4C and independent producers in facilitating a not-for-profit model of local television that is better suited to Welsh circumstances than current proposals.
- To establish a radio transmission strategy that takes proper account of Welsh topography and allows our national radio services to compete on an equal footing with the BBC UK's services.
- Relaxation of cross-media ownership rules in a way that would help both the newspaper and local radio sectors.
- Securing access to spectrum for public service broadcasters at a price that does not put further pressure on them to pare back their services.

Recommendations

SECTION A: CURRENT ISSUES

Channel 3 licenses

1. That the current ITV licences should be extended for not more than two years to allow for i) a full review of the needs of Wales in broadcasting and ii) the passage of a new Communications Act. The current public service requirements should remain in place during this extension.
2. That when the current ITV licences expire that national licences should be created for Wales, Scotland, Northern Ireland and England.

3. That the new licences should be awarded competitively on the basis of the quality of service offered, should prescribe service levels for Wales consistent with the review of the needs of Wales, and should be open to bids for not-for-profit operation of each franchise.

BBC Television

4. That the Welsh Government should commission a full review of the needs of Wales – its audiences, democracy, culture and economy – in terms of broadcast and online services, and with regard for developing technologies.
5. That the BBC should ensure sufficient funding for BBC Wales to ensure that there is no reduction in the current scope of its services, though not exempting it from true efficiency savings.
6. That the strengthening of BBC Wales's services for Wales be included as a priority in the BBC's proposed re-investment fund.
7. That provision must be made for opt-out programming on any future BBC2HD channel.
8. The need to secure completion of the BBC investment in Roath Lock in ways comparable to the new BBC centres in Manchester and Glasgow, and as a hub for new digital industries.
9. That the BBC should prescribe the requirements of television, radio and online services in the devolved nations in new national service licences for each nation.

Other network output

10. That Channel 4 should be required to commission not less than 10 per cent of its output from Scotland, Wales and Northern Ireland.

S4C

11. That Wales must never again retreat from open discussion and scrutiny of a public institution of S4C's scale and importance.
12. That S4C, the BBC and the Welsh Language Board should complete their promised joint study of the Welsh speaking audience as soon as possible so that the public can be assured that both broadcasters are working on the basis of a common understanding of their audience.
13. That an independent review of S4C should be jointly commissioned by the DCMS and the Welsh Government.

14. That both S4C and the BBC should explore the potential for operational collaboration with rigour and urgency, so that both Welsh and English language services in Wales can benefit. Such collaboration should not be restricted to non-programme fields.
15. That S4C should assist in the exploration of not-for-profit models for local television that may better suit Welsh circumstances.
16. That S4C's statutory foundation should be secured in the new Communications Bill and its remit amended to include online provision.

Local television

17. That the Welsh Government should support the adoption of a non-for-profit model for local television in Wales.
18. That the Welsh Government should support steps to ensure that any local services launched in Wales have a prominence on EPGs comparable with local services elsewhere in the UK.
19. That carriage fees for local television services should be significantly lower than for commercial services on the same multiplex.

Radio

BBC Radio Wales and BBC Radio Cymru

20. That the BBC Trust should require Radio Wales and Radio Cymru to sustain the distinctiveness of their programming by the retention of feature programming within their schedules.
21. That a condition be added to the Radio Wales licence requiring at least 100 hours per annum of arts coverage.
22. That a similar condition be added to the Radio Cymru service licence, to guarantee the maintenance of at least the current level of arts coverage on the service. In implementing the condition on arts coverage that BBC Radio Cymru should seek beneficial collaboration with S4C.
23. That BBC should ensure the earliest possible exchange of frequencies between Radio Wales and one of the BBC's UK services in order to provide near universal coverage for Radio Wales.
24. That Ofcom and the BBC should carry out and publish a joint study to determine the optimal radio transmission strategy for Wales, that will guarantee parity of coverage for local and Welsh national radio stations with their UK counterparts.

Commercial radio and community radio

25. That Ofcom and the Welsh Government should conduct a detailed study of the financial viability of all Wales-based radio stations, together with their levels of local output, to arrive at a view of how best to secure at least the current level of local provision for the future.
26. That Ofcom should be empowered to prescribe levels of Welsh language output in ILR licences in Wales.
27. That the Welsh Government should renew the existing Community Radio Fund for Wales, recognising that the sector will make an increasingly important contribution to media plurality and digital inclusion at a local level in Wales.
28. That Consideration should be given to the devolution of community radio policy to the Welsh Government.
29. Migration to DAB, if it occurs, offers an opportunity to clear the FM VHF band to enable a greater range of community stations to develop. The Welsh Government should therefore consider how the existing Community Radio policy could be modified to address the specific needs of Wales.
30. That the Welsh Government, in partnership with the UK Government, should develop a dialogue with receiver manufacturers, to ensure that future car radios continue to include AM and FM along with DAB (and other future digital formats). Radio manufacturers should also be encouraged to develop EPG style radios and other innovative technologies to ensure that community radio services are not left isolated on FM/AM.

Online

31. That the Welsh Government, in conjunction with Ofcom, should monitor markets and technologies constantly and ensure that it has the best possible research capacity and data to stay ahead of the game.
32. That the Welsh Government (and all its agencies) should address issues of demand-side stimulation so that the full economic, social and cultural benefits its investment in the enhanced connectivity of high-speed broadband is realized.

Public service broadcasters and spectrum allocation

33. That any consideration of the devolution of powers over broadcasting should also take account of the need for devolved powers in relation to the relevant areas of spectrum and telecommunications policy. In a converged digital age, it is not possible to consider these policy fields in isolation.
34. Consideration should be given for the public services broadcasters to be exempted from, or be subject to significantly reduced, AIP fees in return for specific PSB commitments.

This would include in Wales, requirements relating to the Channel 3 licence to provide a suitable proportion of news and other programmes for Wales.

Newspapers

35. That the Welsh Government should support a measured relaxation of cross-ownership rules, while ensuring a minimum level of plurality within localities.
36. That the Welsh Government should encourage local authorities to desist from producing their own newspapers or newsletters and to seek partnership arrangements with their local newspapers to secure their communications objectives.

SECTION B: INFLUENCE AND RESPONSIBILITY

Creating effective influence

37. That a permanent and independent media monitoring capacity be established to monitor developments in media policy, performance and delivery, in order to inform government and other elected representatives and to nourish public debate.
38. That the Welsh Government should strengthen the Heritage Department's capacity to provide timely and expert advice to Ministers on media policy.
39. That much stronger joint working arrangements between the Heritage and Business departments should be put in place to secure the maximum economic benefit from media policy.

Devolution and broadcasting

40. That the Welsh Government should establish a working group to examine options for the devolution or the sharing of powers (between Cardiff and Westminster) in the media field within a continuing UK framework – with initial consideration for responsibility for S4C, and commercial and community radio licensing. This exercise should include options for the devolution of some responsibilities within the BBC and Ofcom
41. That the Welsh Government should take steps to establish a cross-party consensus in Wales on proposals that may emerge from the work group.

Introduction

Any healthily functioning society needs communications media that can connect people with their own communities, culture and democratic institutions, not only in ways that inform, educate and entertain but also in ways that both comfort and challenge. As a relatively young polity, in recent decades Wales's need of a fertile and sustainable media landscape has grown. Paradoxically, at the very same time the traditional features of that landscape have been eroding, even as new technological vistas come into view. We can, too easily, be left with a sense of powerlessness, a sense that that landscape is beyond our control. This paper seeks to challenge that assumption.

Any analysis of the current state of the media has to take account of issues around the volume and nature of content as well as the rapidly changing technological environment in which Welsh citizens consume media. Convergence in digital communications technologies is driving change.

Analogue television broadcasting ceased in Wales at the end of March 2010 and digital television penetration has reached virtual saturation in Wales. Welsh take-up of broadband services has reached 71 per cent, close to the UK average and one third of all mobile phones currently in use in Wales are smart-phones, (such as I-player or Android), capable of surfing the net, showing video clips on YouTube and allow users access to social networking services such as Facebook and Twitter. The growth of the Internet is challenging long established business models – local media are under strain, competing for advertising revenue and prominence against the world wide web. Newspaper circulations have been in steep decline. Commercial radio ownership is increasingly consolidating as it attempts take on the BBC's UK services, creating a disincentive to provide local content and information.

There are also big legislative and regulatory changes on the horizon: renewal of the Channel 3 licences in 2014, a new Communications Act in 2015 (or possibly sooner) and renewal of the BBC Charter in 2016-17.

The aim of this paper is to set out the policy questions that are particularly relevant to the continuing provision and strengthening of media in Wales. They fall into two broad groups, both of which need to be addressed urgently:

1. our response to specific and foreseeable technological, content and funding issues as they affect Wales in terms of sustaining an informed democracy, a vigorous cultural life, and a thriving creative economy;
2. the establishment of systems – embracing Welsh and UK Ministers, the National Assembly, regulators, broadcasters, producers and Welsh civil society – that will generate for Wales a continuing, informed, timely and effective influence on policy and, where necessary, appropriate autonomy in governance and executive action.

SECTION A: CURRENT ISSUES

There are several issues that Wales needs to grapple with, pertaining to the future shape of media – spectrum and telecommunications issues, local television, online investment. But there are some urgent matters that relate to existing services. The future of S4C has dominated the headlines in recent months, but there are equally pressing issues in relation to the services for Wales of both the BBC and ITV. There are currently at least three public consultations in train that affect Wales:

1. In October, (in advance of its report due to be submitted by June 2012), Ofcom published an open letter¹ asking for comment on the level of public service commitment that would be sustainable as part of its assessment of the future of the Channel 3 licences, taking account of the benefits of holding such licences and of the proposed introduction of Administered Incentive Pricing (AIP) where broadcasters would make an annual payment based on the commercial value for the spectrum they hold. (There is no such charge at present.) The deadline for comments was **4 November 2011**.
2. Ofcom has been requested to provide advice on media plurality to both the DCMS Secretary of State and to the Leveson inquiry (by June 2012). Ofcom has invited comment on this issue no later than **18 November 2011**. The questions being considered in the context of plurality by Ofcom include the following, "*Are there any regions, areas or audiences (such as the devolved nations) which may require separate consideration, and why?*" This consultation therefore provides another important opportunity to highlight the concerns regarding future media plurality in Wales.
3. The BBC Trust is currently undertaking a public consultation on its proposals under the *Delivering Quality First* plans. This consultation concludes on **21 December 2011**, and it is important that organisations in Wales, including the National Assembly and Welsh Government respond robustly and in detail.

Beyond these the Communications Act, in particular, will have a capacity to alter our media and cultural landscape in fundamental ways. Among the issues that will come within the compass of a new Bill, and which will affect Wales directly, will be

- the future of the Channel 3 licences, their geography and content
- the statutory foundations of S4C
- television production quotas for the public service broadcasters
- radio licensing, localism and the ability to impose language requirements
- the future shape of community radio
- cross-media ownership rules
- a regulatory framework that acknowledges the convergence of television and the internet
- future requirements for impartiality and balance that are fundamental to the tone of media provision

¹ stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/Open-letter.pdf

1 Channel 3 Licences

The first two consultations listed above impact on the future of the Channel 3 (and Channel 5) licences.

Section 229 of the 2003 Communications Act places a duty on Ofcom to submit a report to the Secretary of State by June 2012 in anticipation of a new licensing round. (The current licences are due to expire at the end of 2014.) ITV plc holds the Channel 3 licence for Wales and the West of England and it operates two services as part of this licence, ITV 1 Wales and ITV 1 West. Ofcom is required to report on the capacity of existing Channel 3 and Channel 5 licence holders to “*contribute to the fulfilment of the purposes of public service television broadcasting... at a cost... that is commercially sustainable.*” The purposes of Public Service Broadcasting (PSB), set out in the Act, broadly focus on the delivery of high quality programmes, reflecting the lives and concerns of different communities in the UK and the provision of comprehensive and authoritative news coverage.

Currently, the Channel 3 licence for Wales and the West of England requires ITV plc to provide in Wales 4 hours of news programmes (of which 2.5 hours must be screened in peak time) along with 1.5 hours of other programming (of which 47 minutes per week is made up of current affairs and 1 hour 15 minutes per week must be screened in peak or near peak). In return for fulfilling these obligations, ITV plc benefits from high prominence on electronic programme guides (for example, channel number 3 on Freeview and 103 on Sky Digital and Freesat) and reserved capacity on the Freeview multiplexes that enable them to broadcast to over 98.5% of the Welsh population (via both standard definition and high definition services). According to a recent open letter published by Ofcom the company may also benefit from *'other intangible assets including brand benefits deriving from PSB status'*.

The problem however in the digital age is that the value of these benefits may not be sufficient to cover the cost of the existing PSB provision. In its second PSB Review Ofcom argued that, for ITV plc, the costs of PSB status would outweigh its tangible benefits before the initial licence expiry date in 2014. This may already be the case in relation to the Wales and West of England Channel 3 licence.

There is a lot at stake for Wales. The ITV Wales news programme, *Wales Tonight*, remains an important source of news for Welsh audiences. Its nightly audience averages 163,000, representing an audience share of 17.1%. This also represents almost a third of the combined nightly BBC/S4C/ITV audience to Welsh news between 1800 and 2000. Across a week it reaches 674,000 people who watch for at least 15 consecutive minutes. The weekly current affairs programme, *Wales This Week*, broadcast in peak time, has an average audience of 150,000, and the political programme, *Sharp End*, has an average audience of 35,000. In total these figures represent a major contribution to the sustaining of an informed democracy. No other broadcasting solution – certainly not local television – would come near to replacing that scale of audience to news of Wales.

Understandably, ITV plc is in favour of renewal of its licences in 2014 for a 10-year period, arguing that this would be the best way to ensure that ITV continues to invest in

programming for Wales. However, in the report to be submitted to the Secretary of State, Ofcom will have three options that it could recommend:

- Extension of the present licences
- Renewal of the existing licences with the present owners
- Non-renewal, leading to advertising of new Channel 3 licences

It is possible that the Secretary of State may decide on a short-term extension – say, two years - so that the future of these licences can be considered in the context of the planned new Communications Bill. While there is a sound logic to this course, there is a risk that, after 2014, ITV plc may not be able to sustain the present PSB obligations and may choose to hand back its licences. However, it is important not to overstate this risk. The latest indications are that ITV plc, whose fortunes seem to have revived somewhat since the last Ofcom PSB review, continues to see a value in being a public service broadcaster and in the provision of a special news service for Wales.

In either renewing or re-advertising the Channel 3 licences, as opposed to extending the existing licences, Ofcom has indicated that, it would favour creating four separate national licences – including one for Wales, although in the case of renewal, ITV plc would have to consent to the creation of such a licence. This is an important matter as Wales is the only one of the devolved nations that does not have the benefit of an indigenous owner. ITV in Scotland is owned by SMG, and ITV in Northern Ireland by UTV. The ITV operation in Wales is simply a department within ITV plc, some of the consequences of which are that we have much less transparency about its costs and less influence over corporate decisions-making. Under a renewal scenario Ofcom would still have an opportunity to review the PSB obligations in the light of a new Communications Act, but ownership would be unchanged.

Advertising new licences, on the other hand, would open up the ownership issue. Ofcom suggests that advertising new licences could, *"reinvigorate the existing commercial PSB model, by encouraging potential licensees to develop innovative approaches to the delivery of public service objectives."* Since this may be the very last opportunity to test the market for an ITV licence there is a case for taking this path, despite the argument that it might forsake the bird in the hand for two in the bush. However, in the current economic climate it would be important to dispense with a 1990-style auction, and simply ask bidders to present their best offer in terms of public service and sustainability.

The Secretary of State could, subject to Parliamentary resolution, remove some of the present PSB obligations in the Channel 3 licences. It is crucially important, therefore, that Wales makes it clear which obligations must be retained in the Welsh interest even if, in England, the future development of local television were thought to reduce the need for regional programming on Channel 3. Ofcom already acknowledges that the provision of local television services would not be a comprehensive solution, particularly in more rural areas of England and would not satisfy the needs of the devolved nations including Wales.

In the recent IWA conference on broadcasting (18 October 2011), Guy Phillips, Editor ITV Regional News, expressed ITV's aspiration to maintain news and current affairs

programming for Wales "at a level of cost that ITV can commit to over the long term".² But he made no reference to ITV's other non-news output which might disappear when, or if, the licence is renewed or re-advertised.

As part of an ongoing News Review process, ITV has also recently been piloting a revamped 'news-hour' which could see *Wales Tonight* being broadcast slightly later within the hour, thus overlapping with the BBC's *Wales Today* which is broadcast at 6.30pm. These are only proposals at this stage but it is understandable that ITV Wales wishes to improve audience share for its programme by capturing a greater potential audience which becomes available later in the evening. The programme would be sandwiched seamlessly within in a network 6pm - 7pm news hour but while, in the English regions, the service would return to the network for the last 10 minutes of the hour, this short slot would be used in Wales to show some current affairs programming.

ITV should be praised for its record over recent years of screening current affairs in peak and this new slot could deliver a larger audience to a genre that has diminished in popularity in recent years. But it should not be used as an excuse to reduce the amount of current affairs programming screened elsewhere in the peak time schedule, or to reduce the duration of the news for Wales.

Finally, we must stress the urgency that surrounds this matter. The Secretary of State for Culture, Media and Sport, Jeremy Hunt, may take a decision on this matter at any time in the next six months. The Welsh Government needs to act now if it is to influence the outcome, and it must do so not only through private communication but also through promoting public debate. It must also mobilize political forces in both Houses of Parliament to support the Welsh interest in this matter.

Recommendations:

- 1. That the current ITV licences should be extended for not more than two years to allow for i) a full review of the needs of Wales in broadcasting and ii) the passage of a new Communications Act. The current public service requirements should remain in place during this extension.**
- 2. That when the current ITV licences expire that national licences should be created for Wales, Scotland, Northern Ireland and England.**
- 3. That the new licences should be awarded competitively on the basis of the quality of service offered, should prescribe service levels for Wales consistent with the review of the needs of Wales, and should be open to bids for not-for-profit operation of each franchise.**

² ITV beyond 2014 – a public service broadcaster? Address by Guy Phillips, Editor, ITV Regional News. IWA Broadcasting Conference, October 2011. See <http://www.clickonwales.org/category/lecture-library>

2 BBC Television

There is no doubt that Wales has become hugely dependent on the BBC for television, radio and online services tailored to Wales's own needs and audience. While this dependence might be regretted, there is no prospect of it being lessened by the emergence of any new provision in any medium that could be regarded as meaningfully competitive in public service terms. This places a huge obligation on the BBC to ensure that its services for Wales are adequate for Wales's needs in quantity, range and quality, and that it has both an appetite and a facility for sharing and partnering with other organizations in Welsh society.

We are currently in a period of public consultation by the BBC Trust on plans for the remainder of this licence fee period, during which the licence fee will not increase. These have been published by the BBC Trust under the title, *Delivering Quality First*. The proposals encompass the new obligations imposed on the BBC by the UK Government. These include the funding of four additional responsibilities:

- the BBC World Service and BBC Monitoring
- funding of S4C through a new partnership
- support for new local television services
- raising and extending the current ring-fence in the licence fee for digital TV switchover from £133m a year to £150m a year, re-purposed to support broadband roll-out.

The BBC has calculated that it needs to put in hand savings amounting to 16 percent of its expenditure plus another 4 per cent to allow for some re-investment in services, an overall target of 20 per cent. BBC Wales has been asked to save 16 per cent.

The detailed consequences for BBC Wales of this order of savings have also been made public.

The issues for us in Wales fall under two headings:

- programme services
- distribution/transmission issues.

Network production

On the plus side the BBC can point, quite legitimately, to the considerable efforts it has made to increase the economic stake that Scotland, Wales and Ireland (and the North of England) has in the BBC. In addition to its huge investment in the Media City complex at Salford Quays, it has invested in new facilities at Pacific Quay in Glasgow and the Roath Lock Drama Village in Cardiff. As a result the BBC expects the 17 per cent target for network television production from the three devolved countries to be met before the target date of 2016.

This is creditable record, even if in Wales there is a continuing three-fold concern

- that the policy has still not allowed more than a superficial portrayal of the cultures and perspectives of those countries in network productions
- that indigenous independent producers have not yet proved able to compete in higher end programme genres
- that the investment in Cardiff will not be complete until a broader centre, comparable in scope to Glasgow or Salford, is completed in Cardiff Bay.

Nevertheless Roath Lock is a very sizeable foot in the door, and it is important that commissioners in Cardiff continue to find ways of nurturing local talent into a self-sustaining competitive position.

The importance of these initiatives by the BBC is only underlined by comparison with the out-of-London production situation in other public service broadcasters - ITV 1, Channel 4, and Five. Historically, quotas have varied significantly in their effectiveness. For example, ITV has easily complied with its 35% out of London quota by volume and spend by commissioning from its programme centres in the north of England, without sourcing any content from Wales. Channel 4 has also agreed an 'out of England' quota with Ofcom, following the most recent PSB Review, but at a very modest level of just 3%. Channel Five, owned by Richard Desmond, has no targets.

In the run up to the new Communications Act Wales will need to consider the future of such quotas. If any attempt is made to retain ITV within the PSB fold, it is highly probable that the out-of-London production quota will disappear. This will not be a great loss to Wales, as ITV has commissioned almost nothing from Wales for many years. However, there is every reason to seek to retain and strengthen the Channel 4 quota for production outside England, although this will not be easy to achieve if, as seems likely, the current de-regulatory climate persists.

We believe that Channel 4 should be required to commission not less than 10 per cent of its output from Scotland, Wales and Northern Ireland.

BBC services for Wales

There is cause for greater concern regarding the BBC's services for Wales. In recent years the BBC has been reluctant to define its strategic approach to provision in the devolved nations, other than through the decentralization of production of UK network output. In 2010 the BBC Management conducted a Strategic Review that managed to avoid any mention of the services within the nations. The IWA raised this with the then Chairman, Sir Michael Lyons, but gained little satisfaction.

There has been some change of tone in the latest document, *Delivering Quality First*. In his Chairman's introduction, Lord Patten states:

"In making any changes, we want to ensure that the BBC continues to improve the extent to which its services resonate with all the UK's nations, regions and

communities and reflect the devolved nature of the UK and the distinctive characters of its constituent parts.”

There is much yet to be done to make good on that commitment, but one pre-condition must be that the BBC should, in dealing with this issue, cease conflating investment in network production in the nations with investment in services made solely for the audiences in those nations. In recent times it has regularly given in to that temptation, seemingly because it fears the financial consequences of treating them separately – and this even before the licence fee was frozen by this government. The BBC appears to believe that there is a trade-off between the two, but Wales and the BBC need to be clear that the one is not a substitute for the other.

It may well be that the decentralisation of network production and the relocation of some service commissioners to bases outside London will make the BBC’s UK services ‘resonate’ rather better with the nations and regions – and, we would hope, make the smaller nations resonate better across the UK - but the reduction in spend on the services for the devolved nations will not improve the reflection of the “devolved nature of the UK and the distinctive character of its constituent parts”.

The second need is for us stand back from the arguments about particular services or cuts to particular programmes, and to make an assessment of just what an adequate English television service for Wales might look like in the round. Such an assessment was done for Scotland a few years ago. Set up by the Scottish Government, the Scottish Broadcasting Commission³ published a fulsome report in 2008 that set out what Scotland’s democracy, culture and economy required of its broadcasting system. It set out a concept of a Scottish Digital Network that would be an independent channel costing around it £75 million per annum, funded via the licence fee. The echoes of the S4C proposition are easy to see, except that this would be an English language service.

Nothing similar has been attempted in Wales, despite the fact that the English language television services in Wales – BBC and ITV - have shrunk just at a time when one might have expected them to respond, through increased size and scope, to reflect the changes that arise from the quickening devolutionary process. The decentralization of network production has been the main response from the BBC because, in programme budget terms, even if not in capital expenditure, it is expected to be cost neutral. Although there have been some gains, such as the provision in 1999 of additional resources for coverage of the devolved institutions, there has been no fundamental review of the English language television service for Wales.

In its last Annual Review⁴ the BBC’s own Audience Council for Wales expressed a concern that is widely shared outside the BBC. It said:

³ *Platform for success*, Final Report of the Scottish Broadcasting Commission. 2008. See <http://www.scottishbroadcastingcommission.gov.uk>

⁴ BBC Audience Council for Wales, Annual Review 2011. See http://www.bbc.co.uk/wales/audiencouncil/sites/annual-review/documents/review_acw_2011.pdf

“The Council remains deeply concerned at the level of financial cuts in recent years for producing local programming for Wales experienced by BBC Cymru Wales, despite the increased level of Network programming being produced by BBC Cymru Wales. If legitimate audience expectations are to be met the recent decline in overall investment in English language television programming in Wales must be reversed.

“ACW continues to share the concerns articulated by audiences that the recent Licence Fee settlement, with its real terms cut of 16% in income during the life of the settlement, will further impact adversely on the BBC’s ability to produce local programming in and for Wales, following so closely after an extended period of cost savings during the previous five years. While the outcomes of the BBC review *Delivering Quality First* are yet to be seen, the Council would be troubled if one outcome were to be any dilution or diminution in the range or depth of programming specifically for Wales”.

It is clear both from the *Delivering Quality First* document, and from the detail announced later by the Director of BBC Wales, Rhodri Talfan Davies, that such a diminution is exactly what is proposed, although there are to be some shifts in the priorities of BBC Wales that we would welcome. We will address these issues of detail later.

But overall, the combination of the past RPI safety net for S4C funding and continuing funding reductions in ITV and BBC – a reduction of 31% over the last five years, according to Ofcom - has led to an untenable disparity between the funding of Welsh language and English language television services for Wales.

As Menna Richards, recently retired Director of BBC Wales, said in a lecture⁵ on 4th November this year, “between 2006 and 2011 the number of hours of English language programmes has gone down by more than 16 per cent, the equivalent of more than one hundred hours of broadcasting – that’s a hundred hours less output about Wales for Welsh audiences from Wales’s national broadcaster.”

She pointed out that from 2013 (despite the 25 per cent cut imposed by the DCMS) the licence fee will be supplying S4C with close on £100m. - £75m. direct from the BBC Trust, and £23m. via BBC Wales under the BBC’s statutory obligation to supply 10 hours a week - while the BBC Wales expenditure on its English language television service is scheduled to reduce to £19million. (This compares with a peak spend of £26.8m in 2005-06⁶.) ITV Wales’s spend is probably now down to less than £5 million, compared with nearly £13m. in 2007.⁷

⁵ A view from the frontier of broadcasting, Menna Richards, Wales Political Archive lecture 2001. See <http://www.clickonwales.org/category/lecture-library/>

⁶ p24, *Communication and Content: The media challenge for Wales*, Report of the Broadcasting Advisory Group to the Welsh Assembly Government, November 2008. See <http://wales.gov.uk/docs/drah/publications/20090730communicationandcontent.pdf>

Within BBC Wales this is a return to a level of funding for the English language television service that was last seen in the 1990s. In our view it is not a level that can sustain a service that is adequate for Wales's needs, needs that have themselves changed and grown considerably in the intervening period. It has to be noted that the very thorough work in Scotland concluded that the combined BBC and ITV services in Scotland were not fully adequate for Scottish needs, even though the spend by BBC Scotland on its television service is almost twice that by BBC Wales, and the combined BBC/ITV spend more than double.

It is important to stress here that we are not advocating the transfer of funding from the Welsh language to the English language. Sustaining the funding of S4C remains important, because it is as much an instrument of language policy as of broadcasting policy. The contrast in funding merely emphasizes the paucity of provision in the English language and the inevitably limited range of material that can be produced within the current and worsening constraints.

We have requested data on the output and costs of the BBC's services for the nations, but are still awaiting a response. We will forward this when it is received. However, significant comparisons between output and spend in the nations across both BBC and ITV companies is instructive. Between 2004 and 2010, Wales saw the biggest drop in spend of any of the three nations, both in absolute terms and percentage terms.

TV spend on English language television for the nations BBC and ITV/STV/UTV – 2010

	Spend £m	Spend £m	Change £m	Change %
	2004	2010	2004-10	2004-10
Wales	49	25	-24	-49
Scotland	72	52	-20	-28
N Ireland	43	24	-19	-44

Source: Communications Market Report 2010

This halving of the spend on English language programming for Wales has had its biggest impact in the reduction of general programming (i.e other than news or current affairs) where the disparities between Wales and Scotland are becoming ever more marked. In recent years Ofcom's annual Communications Market Report has painted a depressing picture of the decline. In 2010 the output for the nations across BBC and ITV was as follows:

	Total hours	Change %	Change %
	2010	2009-10	2005-10
Wales	1002	-3	-24
Scotland	1881	14	13
N Ireland	1007	4	-13

Output for Scotland and Northern Ireland, across the BBC and ITV, actually increased in 2010, in Scotland largely as a result of STV increasing the frequency with which it opted out

⁷ p22, Ibid.

of the ITV network schedule. The biggest differences in the nations are in current affairs and, in particular general programming:

	Total hours	News	Current Affairs	Total N/CA	Non-N/CA	Non-NCA %
Wales	1022	623	99	722	300	29
Scotland	1881	782	209	991	890	47
N Ireland	1007	650	81	731	276	27

Source: Ofcom Communications Market Report

According to the Ofcom figures, general programming comprises only 29 per cent of the output for Wales, but 47 percent of the output for Scotland. The BBC provided 300 hours of general programming for Scotland, against 247 hours for Wales.

There is clearly an urgent need to institute a full appraisal of what an adequate service for Wales might be. At the IWA's conference, Ron Jones, the Executive Chairman of Tinopolis, put it this way:⁸

“There is a consensus that Wales is not getting the television it needs. Not since the days of the last ITV licence award has there been a coherent attempt to assess what Wales needs. The Ofcom UK review of local services some 2 years ago was useless.....

“As a country we need to identify those elements of television that we need for specifically Welsh cultural, linguistic, social or democratic reasons.

“Public Service Broadcasters should make explicit commitments defining their responsibilities and commitments to Wales and we need to ensure that these are developed through an open and public discussion of the issues involved.

“Such a review should be initiated and agreed after full public consultation and the involvement of all key stakeholders. Ideally these would include DCMS, the BBC Trust, S4C, the Welsh Government and its NDPB's with relevant responsibilities as well as the Assembly and Welsh MP's. In practice some will elect not to play but the politics of this are against them.

“The result of such a review should inform our policy for public service broadcasting and be the base upon which we ensure that, in addition, this broadcasting is structured to provide the maximum economic benefit.”

We would endorse this approach, and see it as a preliminary to the development of a comprehensive BBC Trust service licence for Wales. We return to this issue in a later section on devolution and broadcasting.

⁸ *A new agenda for broadcasting in Wales*, Address by Ron Jones, Executive Chairman, Tinopolis. IWA Broadcasting Conference, October 2011. See <http://www.clickonwales.org/category/lecture-library>

In the meantime, the BBC needs to address the anomaly whereby the television services in the nations are not specified in the same detail as the radio services in the nations, or the BBC UK services. They are stated instead as simply annexes to the service licences of BBC ONE and BBC TWO, with the broadest expectation that they observe the requirements of those two services, together with conditions that each should produce a minimum number of hours. These quantitative requirements also vary, although it is not clear on what basis. Actual output usually exceeds these minimum conditions.

Fig 2: Television in the nations – BBC Trust service conditions

Hours per annum	Scotland	Wales	N. Ireland
BBC ONE	265 - NCA 140 - non-news	250 - NCA 60 - non-news	280 - NCA 80 - non-news
BBC TWO	190 non-news	160 – non-news	55 – non-news
Total	595	470	415

Our concerns about the future of the BBC Wales television service are reinforced by three other factors:

- The ‘fewer, bigger, better’ proposition and its impact on programme range
- The lack of any reference to the nations in the proposed list of priorities for re-investment.
- The apparent ruling out of opt-out programmes on BBC2HD

Fewer, Bigger, Better

Delivering Quality First justifies the ‘fewer, bigger better’ approach in this way:

“Bringing more television programming and radio output made specifically for Scotland, Wales and Northern Ireland to UK audiences with a ‘fewer, bigger, better’ strategy for opt-out programming in general. Today, very little television output from these parts of the UK is shown to the rest of the country and there is significant scope to bring more output like *A History of Scotland* and *Coal House* to audiences around the UK.”

On the surface this seems a sensible approach, and there will be times when it is appropriate and desirable. But it is not an appropriate strategy ‘for opt-out programming *in general*’. (Our italics) Many in Wales will be concerned lest it should lead to a situation where even the reduced output has to be tailored, some would say compromised, in order to appeal to audiences beyond Wales. This could become an undesirable constraint on the need for commissioners to focus their scarce resources on serving audiences in Wales in the most distinctive and relevant way, and a constraint imposed for financial rather than editorial reasons. Wales needs a broader not a narrower reflection of itself on television.

That brings us to the question of programme range. Much attention has been paid to the importance of news services for Wales. These are essential to ensure an informed democracy. Broadcast news is crucially important, because research has demonstrated time and again that this is means by which the vast majority of people in Wales receive their information about the polity in which they live, and whose institutions affect their lives directly. Television is the dominant news source.

However, any objective assessment of the reduction in English language television programming for Wales over the last five years will show that it is the non-news areas of programming that have suffered. By and large news and current affairs have been protected. It is in documentaries, arts and music and entertainment for Wales that we have seen the reduction.

In 2008 the Welsh Government's Broadcasting Advisory group foresaw the current decline, and calculated that we would reach a situation where "two thirds of the total annual output in English across BBC Wales and ITV Wales will be in the category of news and current affairs (c.775 hours), with 17% (c.200 hours) devoted to sport and less than 15% (c.170 hours) devoted to a combination of drama, music, arts, factual and light entertainment programmes."⁹

It added:

"The current English language provision in these areas is not a defensible provision for a developed national community that brings to table the sort of cultural legacy that Wales commands. At a time when so much Welsh performance talent is flourishing in the wider worlds of film, theatre, opera, music and musical theatre outside Wales, it is unacceptable that television drama, comedy, light entertainment, music and arts, created out of and for Welsh circumstances, should be so severely under-developed.

"We cannot hope to see Welsh talents bring genuine diversity to UK networks, if there is not the space for them to develop their own voice at home in the language of their choice. Drama lies at the heart of most high quality television services, yet is all but absent from English language services in Wales. Welsh society and politics lacks the regular challenge of comedy and satire in both languages. Light entertainment taps only a fraction of Wales's deeply rooted performance culture. The exposure given to the diverse arts of Wales, at a time when arts organisations themselves are seeking new partnerships, is fitful.

"Though we have heard much criticism from many sources, much of it born of frustration, such a situation is not the result of poor editorial decision-making, but the result of systemic constraints - an assessment of the balance of need between the centre and the devolved nations that is outdated, and institutional arrangements that, in Wales's case, adequately address only the distinct requirements of the Welsh-speaking audience."¹⁰

Even in the latest announcements from BBC Wales there is an evident will to protect news and current affairs programming, even if there are proposed changes in the form of some political programmes. It is regrettable, therefore, that most comment from the political

⁹ *Communication and Content: The media challenge for Wales*, Report of the Broadcasting Advisory Group to the Welsh Assembly Government, November 2008. See <http://wales.gov.uk/docs/drah/publications/20090730communicationandcontent.pdf>

¹⁰ p32, *Ibid.*

community on BBC Wales's proposals has concentrated on a *perceived* risk to political output rather than to the *actual* reductions planned in non-news output. This is to put the narrow interests of the political community before the interests of the wider audience, to fail to see beyond the communications needs of political institutions to the need to provide on radio and television a full reflection of Welsh society in all its rich and diverse manifestations.

Re-investment

The lack of reference to services in the nations in the BBC's list of priorities for reinvestment is disturbing, since it would appear to reinforce the lacuna in the BBC Strategy Review of 2010, which omitted all reference to services in the nations. The case that has been made for the general inadequacy of media provision in Wales, not just the limitations of the BBC's services, surely requires that BBC Wales should be able to access the re-investment pot. It should be remembered that the total spent on the content of the BBC's UK-wide television services in 2010-11 was £1.865 billion. The content spend on the BBC Wales English language television service in the same year was £23 million, 1.2% of the total. There is still room for further re-prioritisation. The spend on the BBC's UK Radio services was £483m, of which Radio Wales at £13m represented 2.7% and Radio Cymru at £11.8m represented 2.4%.

BBC2HD

In the long term the proposal to dismiss the possibility of opt-out provision on a future BBC2HD channel is one of the most disturbing proposals in the DQF report. It is also one of a number of distribution issues that should concern us in Wales.

The DQF report states:

"We will immediately invest to make the three versions of BBC One in Scotland, Wales and Northern Ireland broadcast in high definition by the end of 2012. However, we do not believe it is affordable or good value for money to convert the current BBC Two variants in Scotland, Wales and Northern Ireland to high definition. The current standard definition variants on BBC Two will be maintained at least until 2015 while we review their long-term future; however, we are committed to maintaining the range and quality of the television output we currently provide"

The take-up of HD across Wales and Britain is substantial. It has been estimated that 94 per cent of UK households will have a television set capable of receiving HD by 2016. In time this is likely to be the main viewing mode. In Wales we have already had experience of a BBC ONE service with no opt-out provision. It means that anyone viewing, say, the Six O'Clock News in HD, does not see the in-programme headlines for Wales, and has to change channels at 6.30 in order to watch *Wales Today*.

The BBC proposes to remedy this on BBC1HD, but to perpetuate the anomaly on BBC2HD. The former is welcome, but the latter is not an acceptable proposition for three reasons:

1. The majority of BBC Wales non-news programming is screened on BBC2. The proposal will result in the bulk of BBC Wales output for Wales being seen as second-best because only screened in standard definition.
2. The DQF statement does not give any certainty that that BBC2 will be retained in standard definition after 2015.
3. BBC2 is the channel that allows BBC Wales to extend the range of its programming. Many of these programmes, not least live rugby, would not be suitable for the BBC1 schedule. The lack of an opt-out facility on BBC 2 would impose a radical limitation on the service for Wales.

Recommendations:

4. **That the Welsh Government should commission a full review of the needs of Wales – its audiences, democracy, culture and economy – in terms of broadcast and online services, and with regard for developing technologies.**
5. **That the BBC should ensure sufficient funding for BBC Wales to ensure that there is no reduction in the current scope of its services, though not exempting it from true efficiency savings.**
6. **That the strengthening of BBC Wales's services for Wales be included as a priority in the BBC's proposed re-investment fund.**
7. **That provision must be made for opt-out programming on any future BBC2HD channel.**
8. **The need to secure completion of the BBC investment in Roath Lock to enlarge its scope in ways comparable to the new BBC centres in Manchester and Glasgow, and a hub for new digital industries.**
9. **That the BBC should prescribe the requirements of television, radio and online services in the devolved nations in new national service licences for each nation.**
10. **That Channel 4 should be required to commission not less than 10 per cent of its output from Scotland, Wales and Northern Ireland.**

3 S4C

Arguably, the recent history of S4C represents the single, clearest failure by Wales, its elected representatives and its Government, to exercise effective and timely influence in the broadcast sphere. It is too easy to blame everything on failures of management and governance at S4C, and on neglect by the DCMS, but we also have to recognize that the widespread unwillingness in Wales to discuss openly the performance and future of S4C - before crisis made it unavoidable - constituted a failure of nerve by Welsh society as a whole. Indirectly, this is what enabled a UK Government minister to force through a deal in a hurried and secretive negotiation with a BBC that had itself been put on the backfoot. It is a lesson for us all.

Everybody in Wales must wish that S4C quickly achieves a stability in governance, management and funding that will allow it to recapture its past standing, even though it will have to discover a new connection with audiences, a more focused approach to delivering distinct public value – both through television and online – and a creative, constructive way of working with its new main funder, the BBC.

Despite justifiable criticism of the process by which this partnership between the BBC and S4C was created through political *force majeure*, a partnership arrangement now exists that strikes a balance between S4C's need for operational independence and the BBC Trust's need for accountability for the licence fee. The success of this arrangement will depend on the way that both parties approach the task, but in essence it is no more complex an arrangement than was devised for the channel at its inception in 1982.

That is not to say that it is an ideal arrangement. It will need to be monitored and assessed over the next two years, so that a view can be formed as to what further modifications to the partnership or to S4C's statutory underpinning might be needed – in a new Communications Act - to safeguard S4C's position and to bring the Welsh Government into play in determining the channel's future funding.

The more difficult task will be to achieve the operational collaboration that the partnership envisages in a way that delivers benefits to both sides. In many ways no more is being asked of S4C and the BBC than is being asked of our local authorities right across Wales – namely, that they should share resources wherever possible so that viewers/citizens can gain the maximum benefit.

Welsh Ministers and Assembly committees should seek to hold both organizations to account, to ensure that the promised collaboration is real, constant and fruitful, not only in financial terms but also in enhancing the creative output of both.

Regular and detailed scrutiny is necessary. For instance, more than a year ago it was announced that the BBC, S4C and the Welsh Language Board would collaborate on a project to achieve a common understanding of the Welsh-speaking audience. Such work is necessary given the continuing change in the number and, as importantly, the fluency of Welsh speakers. We have yet to see any sign that this work has been completed, which is

regrettable given its importance in laying a solid foundation for new strategies for Welsh language services on television, radio and online.

It is armed with this shared understanding that S4C should define its proposition anew, based on a rigorous appraisal of audience needs and an appreciation of the privileged capacity it has to generate both cultural and economic benefits, particularly through partnership working with other cultural agencies. That capacity has yet to be fully exploited, either in the cultural or economic spheres. We must hope that its new co-production fund will generate a more outward-looking approach that will increase the appetite and the capacity of the independent production sector to look beyond the Welsh domestic market. Too few production companies have used the S4C platform to break into other markets, although there are some notable exceptions.

Much has been made of the requirement on the BBC to facilitate developments in broadband and local television. As a public service broadcaster S4C should also strive to play a much bigger role in online development in the Welsh language, and its recently announced New Media Forum and £1m a year digital fund are important first steps. We would also support the S4C Authority's decision to play an active part in exploring the potential of local television in Wales. It has a role to play, especially if a distinct Welsh social enterprise model can be developed. It is important that S4C's statutory remit, which currently is restricted to television, is brought up to date to allow it to respond more swiftly to changing technology and consumer behaviour.

Recommendations:

- 11. That Wales must never again retreat from open discussion and scrutiny of a public institution of S4C's scale and importance.**
- 12. That S4C, the BBC and the Welsh Language Board should complete their promised joint study of the Welsh speaking audience as soon as possible so that the public can be assured that both broadcasters are working on the basis of a common understanding of their audience.**
- 13. That an independent review of S4C should be jointly commissioned by the DCMS and the Welsh Government.**
- 14. That both S4C and the BBC should explore the potential for operational collaboration with rigour and urgency, so that both Welsh and English language services in Wales can benefit. Such collaboration should not be restricted to non-programme fields.**
- 15. That S4C should assist in the exploration of not-for-profit models for local television that may better suit Welsh circumstances.**
- 16. That S4C's statutory foundation should be secured in the new Communications Bill and its remit amended to include online provision.**

4 Local television

The plans for local television introduced by the UK Government have not been greeted with much enthusiasm by the broadcast industry. There is a widely held view that commercial viability will be difficult to establish even in sizeable cities. The Minister's own adviser, Nicholas Shott, was himself cautious about the prospects. His report said: '...local TV will not be financially viable distributed by DTT in sparsely populated rural areas. It may, however, be possible to sustain 10 to 12 local TV services around major conurbations'.

Notwithstanding this caution, the Culture Secretary, Jeremy Hunt, has proposed that 20 local services should be licensed in a first round, with perhaps 40 more following a year later. Many of these designated areas are rural.

Of the six areas identified for Wales, only two might be regarded as heavily urbanised areas that get above a population figure of 200,000:

- a licence covering Cardiff, Newport, Barry, the Vale of Glamorgan and Bridgend, and stretching patchily up into the lower valleys including Pontypridd and Caerphilly
- a licence covering Swansea (but not the Swansea valley) and Llanelli.

The other four must be more marginal:

- North east Wales – an essentially rural area taking in the small towns of Mold, Ruthin and Denbigh (plus an area outside Wales south of Chester), but excluding the north east's biggest town, Wrexham.
- Menai Straits – an area comprised of Bangor and south Anglesey, including Llangefni, and part but not all of Caernarfon.
- South Carmarthenshire – an area including Carmarthen and Ammanford, and north to Llandeilo and south to Kidwelly but excluding Llanelli.
- Mid Pembrokeshire – an area taking in Haverfordwest and not much else other than the south side of the Preseli hills. Pembroke and Tenby are excluded.

However, there remains a strong feeling in parts of the industry and in many community organisations that Wales should not spurn this experiment, but should rather explore it and see whether a Welsh variant could be developed. Before the last UK General Election three consortia were formed in Wales to bid to supply the ITV Wales news, at a time when it was thought that ITV would withdraw from this service. These were known as IFNCs – Independently Financed News Consortia. The bidding process spawned a diverse range of partnerships and offered an opportunity for experimentation.

Although this concept was abandoned by the new government, many believe that some of the ideas and partnership formed then could be applied to the idea of more local services. However, since it is expected that new local services will ultimately be delivered through internet-based television (IPTV) it may be better for Wales to concentrate on a format more suited to online, and more suited to the available funding.

This could have the added advantage of allowing local initiatives – such as the online equivalents of the *papurau bro* (community newspapers) and community radio – to eventually link together. To facilitate this it might be better for Wales to look to a social enterprise model rather than a commercial model that will struggle for survival. If such a model emerges, the Welsh Government should give it all possible support, particularly in persuading the UK Government, should it be necessary, to allow the adoption of a not-for-profit model. It should be willing to use existing community funding schemes, such as the Communities First programme, to support local television initiatives that adopt a not-for-profit model.

It is the Government's intention to allow local television services a prominent slot on the Freeview electronic programme guides (EPGs). However, there is a problem over availability of a slot in the top eight both in Wales and Scotland. This needs to be resolved quickly so that anyone planning a service within Wales has both certainty and a comparable prominence to local services elsewhere in the UK.

Currently, the proposed model for the delivery of local television will be based around a single, UK-wide multiplex carrying local services. The multiplex will have sufficient capacity to carry several services, in addition to the local television service in each of the 20 areas proposed. The multiplex operator, therefore, has a potential revenue stream through carriage fees, if services from other broadcasters are also carried on the multiplex. The local service will presumably sell its own commercial airtime and retain the (probably modest) advertising income from this source. However, in this new model, it will be essential to fairly balance the commercial interests of the multiplex operator and the local television providers. In particular, to assist in viability, there should be a requirement, set by the regulator, that carriage fees charged to the local television services by the multiplex operator should be significantly lower than those charged to commercial services carried on the same multiplex.

Recommendations:

- 17. That the Welsh Government should support the adoption of a non-for-profit model for local television in Wales.**
- 18. That the Welsh Government should support steps to ensure that any local services launched in Wales have a prominence on EPGs comparable with local services elsewhere in the UK.**
- 19. That carriage fees for local television services should be significantly lower than for commercial services on the same multiplex.**

5 Radio

BBC Radio Wales and BBC Radio Cymru

Wales's dependence on the BBC is just as great in radio as in television, perhaps more so. Commercial radio services in Wales have never been strong, and although there are some local radio stations that perform well, there has been no national commercial radio station for Wales until *Real Radio* recently acquired licences in the north that allowed it to complete an all-Wales footprint. However, Real Radio, like many other commercial stations, has had to limit the amount of speech/local content as a result of financial pressures.

This makes it all the more important for the BBC's two national radio services in Wales to retain their distinctiveness. An important context for discussion of these services is the BBC Trust's own review of radio services in the nations. We would have expected this review to have been more rigorous than it was, especially in seeking to benchmark services in the nations against each other and against a systematic assessment of need.

Fig. 3: BBC English language national radio stations - Costs £m

Radio (English)	BBC Radio Scotland	BBC Radio Wales	BBC Radio Ulster/Foyle
Content	23.8	13.0	16.2
Distribution	3.3	1.2	1.8
Infrastructure/support	5.3	2.8	3.6
Total	32.4	17.0	21.6

Fig. 4: BBC Welsh/Gaelic language national radio stations – Costs £m

Radio (Gaelic/Welsh)	BBC Radio nan Gaidheal	BBC Radio Cymru
Content	3.8	11.8
Distribution	1.4	1.6
Infrastructure/support	0.9	2.7
Total	6.1	16.1

Source: BBC Annual Report 2010-11

In our view it is not acceptable, nor can one easily justify a situation where the funding of BBC Radio Wales is not only 45 percent lower than BBC Radio Scotland but also 20 per cent lower than BBC Radio Ulster. In the case of Scotland, part of the justification for the higher spend is a condition in the Radio Scotland service licence that it include in its service not less than 200 hours of arts programming including a daily arts show. This simply prompts the question – why is there no comparable condition in the Radio Wales and Radio Cymru services licences, especially given the BBC's stated desire for partnership working in the cultural field? The cultural sphere is no less important in Wales than in Scotland and may, arguably, be more important here.

In the case of Radio Cymru this would be a matter of endorsing its already substantial provision – such as through wall to wall coverage of the Urdd Eisteddfod and National Eisteddfod and the weekly bardic competition, *Talwrn y Beirdd*.

A condition on arts coverage should be included in the service licences of both Radio Wales and Radio Cymru. In the case of the latter it could also be a key area for future collaboration with S4C.

Neither is this the only anomaly. In the crucial area of news and current affairs, Radio Scotland is required to provide 43 hours a week, Radio Ulster 27 hours (and an additional 8 hours a week for its offshoot Radio Foyle) while Radio Wales is required to produce only 24 hours a week, and Radio Cymru 16 hours. Even if local differences might require different service levels, there was no attempt in the BBC Nations Radio Review to explain or justify these figures. Even so, there seems to be an inconsistency between the broad conclusions of the review and what is now proposed under the *Delivering Quality First* proposals.

The Nations Radio Review placed its emphasis on the need to preserve the most distinctive content and even considered “whether conditions specifying minimum broadcast hours should be introduced or amended to safeguard the stations’ contribution to, for example, arts, drama, documentaries, comedy, religion, specialist music, live music, news, current affairs”. Only two months later DQF takes a subtly different and more ambiguous line: “we will only introduce conditions if we feel they are necessary to guarantee minimum levels of output in key public service areas”. Since there are currently no conditions in the Radio Wales and Radio Cymru service licences, apart from on news and current affairs, it is hard to see that this now has any positive meaning.

BBC Wales does have commendable plans to increase its investment in radio news, particularly in the morning sequence, but it is equally clear that it is having to reduce the amount of off-peak built programming in favour of longer and cheaper talk sequences. This is bound to shrink the quantity of ‘distinctive programming’ favoured by the Nations Radio Review and to narrow its range. This, admittedly more expensive programming, is the victim of a circular argument. It is scheduled off-peak where, given almost universal patterns of radio listening, it will achieve a relatively small audience, and then axed because it is not winning enough listeners. If the BBC Trust’s Nations Radio Review is to mean anything the Trust should ensure that this distinctiveness is not lost for the sake of a relatively small saving.

Radio transmission

Radio transmission has been an increasing problem over the decades as each succeeding transmission technology – Medium Wave, FM and DAB - has been less suited to the Welsh terrain than its predecessor. In each case, improved sound quality (where the signal is good) has had to be set against poorer coverage of the population. This has led to a situation where Radio Wales still trails every other BBC radio station in the UK in terms of its coverage of the population on FM – at present covering only 68.7%¹¹ of the Welsh population. Radio Cymru has a population cover of 94.8%.¹² The gap is the result of the original decision in the late 1970s to launch Radio Cymru on FM with Radio Wales on AM.

¹¹ p82, Communications Market Report Wales, Ofcom. 2011

¹² Ibid.

Moreover, Radio Cymru and Radio Wales, which have to find a place on commercially funded multiplexes, are carried on only two of the DAB multiplexes in Wales – Cardiff/Newport and Swansea - whereas the BBC's UK radio stations - Radio 1, 2, 3, 4, 5 Live, 6, 7, BBC World Service and BBC Asian Network – are carried on the BBC's UK-wide multiplex¹³ which is now available across most of Wales. This is an anomaly that cannot be allowed to persist.

Ofcom has licensed local commercial multiplexes covering the whole of Wales but due to uncertain market conditions and the high cost of investment in DAB, only the Swansea and Cardiff/Newport multiplexes are currently on air. The local multiplexes have 'must carry' requirements for 'BBC local services' which in this case include BBC Radio Wales and Radio Cymru (even though they are not 'local services'). There is another multiplex receivable in Wales that serves the Severn Estuary but this 'regional multiplex' is not subject to the must carry requirements for BBC local services.

In this situation the decision to increase the power of the Radio Wales FM transmission from the Wenvoe transmitter near Cardiff - increasing the population cover by another 200,000 - is both very welcome and very overdue. However, it will only take the FM coverage for Radio Wales from 68.7 to around 75%. It will still be in the position of competing not just with commercial opposition but also with the BBC's own UK radio services, with one hand tied behind its back.

This situation has been allowed to persist for more than a decade despite complaints from the BBC's own Audience Council for Wales and Ofcom's Advisory Committee for Wales. It is no wonder that the BBC Trust's own review revealed that the average amount of time listeners spend tuned in to Radio Wales has fallen over the last five years from 11.3 hours in 2005-06 to 9.4 hours in 2010- 11. Listening hours are low compared with Radio 4 (13.6 hours) and Radio 2 (13.1 hours).¹⁴

This same review did offer the first ray of hope to Radio Wales. Amongst its proposed action points is the following:

“As part of the wider review of BBC funding we will ask BBC Management to undertake a definitive cost:benefit analysis exploring the various options for addressing the lower coverage levels for Radio Wales on FM and each national station on DAB. These options include the possibility of exchanging FM frequencies, in Wales, between Radio Wales and another BBC radio station with more universal coverage.”¹⁵

¹³ The multiplex is broadcast as a single frequency network and it is not technically possible to vary services carried on it in Wales compared to the rest of the UK. So for example, it would not be possible to broadcast Radio Wales in place of the BBC Asian Network on this multiplex in Wales.

¹⁴ p63, The BBC's national radio stations in Northern Ireland, Scotland and Wales, Service Review. BBC Trust, September 2011.

¹⁵ P24, Ibid

The Trust set an implementation date of April 2012 for this action point. We look forward to it meeting that deadline, and ensuring the swiftest possible implementation of an exchange of FM frequencies, between Radio Wales and, presumably, the UK service that has the smallest audience in Wales, Radio 3.

The UK's radio transmission plans have never taken full account of Welsh topography, and without a change of course this is likely to persist in a DAB world.

The BBC plans to roll-out its UK multiplex to 97% of the population, while its local services, including its services in the nations, will get to 90% of the population at best. Although 90% would be better than the current 45% DAB coverage in Wales, attaining even 90% will be dependent on partnership with commercial operators, some of whom have chosen, for commercial reasons, to delay the installation of multiplexes even having won the licence to do so. It will also be dependent on the UK Government's decision on switchover and the release of further capacity.¹⁶

It is not easy to see how DAB will be able to match FM's coverage in Wales. Wales will need to make a strong case for the retention of FM coverage, and even of AM coverage for Radio Wales for as long as is necessary. It should be remembered that even in south Wales which does have DAB cover, only 36% of listeners currently own a DAB set. In addition, new technologies are emerging in Europe and elsewhere that could be more suitable to Wales's topography such as DRM (Digital Radio Mondiale, using the medium wave) and DRM+, broadcast on the VHF band currently used for FM. There could also be consumer issues if the current ageing DAB standard (criticised by some for its poor audio quality) is upgraded to DAB+, which makes better use of the available spectrum and potentially offers better sound quality. It will not be possible to upgrade older DAB sets to this new standard.

Although Ofcom has been leading a process to plan the rollout of DAB, this will not be sufficient for Welsh purposes. There is a need for a joint exercise between Ofcom and the BBC to establish an optimal radio transmission strategy for Wales that provides as near universal coverage as possible and parity of coverage for local and Welsh national radio stations with their UK counterparts. This must take account of the need in many areas to retain FM and/or AM coverage.

Recommendations:

20. That the BBC Trust should require Radio Wales and Radio Cymru to sustain the distinctiveness of their programming by the retention of crafted programmes addressing discrete subjects within their schedules.

21. That a condition be added to the Radio Wales licence requiring at least 100 hours per annum of arts coverage, and resources provided to facilitate this.

¹⁶ Ofcom published a consultation on proposals for improved DAB coverage in June 2011.

<http://stakeholders.ofcom.org.uk/consultations/dab-coverage-planning/>

- 22. That a similar condition be added to the Radio Cymru service licence, to guarantee the maintenance of at least the current level of arts coverage on the service. In implementing the condition on arts coverage that BBC Radio Cymru should seek beneficial collaboration with S4C.**
- 23. That BBC should ensure the earliest possible exchange of frequencies between Radio Wales and one of the BBC's UK services in order to provide near universal coverage for Radio Wales.**
- 24. That Ofcom and the BBC should carry out and publish a joint study to determine the optimal radio transmission strategy for Wales, that will guarantee parity of coverage for local and Welsh national radio stations with their UK counterparts.**

Commercial Radio

The commercial radio industry faces significant challenges in the years to come. The present economic climate combined with long-term structural changes in the advertising markets are already proving to be particularly challenging and some smaller stations have already closed and handed their licences handed back to Ofcom. Although the present recession is not helping, the decline in the viability of local commercial radio is a long term trend which has been evident for several years.

Radio stations face increasing fixed costs (staffing, transmission, premises) but declining advertising revenues with increasing competition from the Internet. This is particularly marked for those groups that rely to a greater extent on advertising income from the larger UK based advertisers rather than local advertising. Some radio groups, such as Global are moving away from a local radio model to a networked service approach across their UK local stations via a few core brands, Heart, Capital and Gold, in an attempt to compete against the BBC's services, particularly Radio 1 and 2.

The tough economic conditions have already taken their toll in Wales in recent years. Valleys Radio was closed by its parent group UTV Radio around two years ago and last year Radio Maldwyn, serving mid Wales and the borders very nearly closed before being acquired by new owners and re-named as Radio Hafren. Interestingly both services are broadcast on AM (medium wave) a platform where listener numbers are declining.

On the positive side the Guardian Media Group's Real Radio won a licence to serve mid and north Wales and is now the first Wales-wide commercial radio service. In addition, Town and Country Broadcasting, Wales' largest indigenous group, owns stations in west and south Wales which are largely profitable, through having a more locally based advertising model and a stronger local service ethos.

Ofcom still currently requires a minimum amount of local content to be provided by local FM stations - broadly around 10 hours per day. Owners will argue that this will become increasingly difficult to sustain due to mounting economic pressures, and the DCMS, in response, may well be tempted to advocate further de-regulation in the forthcoming

Communications Act, possibly in return for greater investment in DAB digital radio transmission.

If this were to happen it would represent a further loss of service for Wales. Rather than accepting predictable UK industry-wide representations, Ofcom and the Welsh Government should conduct a detailed study of the financial viability of the Wales-based stations and their current level of local service to arrive at view of how best to retain the maximum of local service to audiences in Wales.

In addition to wishing to see radio licensing devolved – which could easily be done by giving the function to Ofcom's Advisory Committee for Wales – we would also expect a new Communications Act to give Ofcom the power to rule on the nature of Welsh language provision on commercial stations.

Community Radio

In the context of pressures on commercial providers, it is likely that the community radio tier of stations will become increasingly more significant in Wales. Community radio services were introduced as a new not-for-profit tier of radio by Ofcom in 2004, based on the requirements of the Community Radio Order. There are currently nine community radio services broadcasting in Wales.

The Order sets out the terms under which stations can operate with the emphasis on the provision of social gain to identified geographic communities or communities of interest, with a significant commitment to volunteer access and training. The draft Order was the subject of intense lobbying by the commercial radio sector and consequently community stations are broadly limited to raising no more than 50 per cent of their income from commercial sources. Additionally, under the terms of the Order (as amended), if the transmission of the area of the community station overlaps by more than 50 per cent with that of a small scale commercial station (serving fewer than 150,000 listeners) then the community station is not allowed to raise any commercial income. This is the case with two stations in north Wales, Point FM (based in Rhyl) and Tudno FM (based in Llandudno) whose services overlap with Heart (formerly Coast FM), a commercial service which also serves the area.

Community stations source their non-commercial finance from the public sector through grants and service level agreements - for example, to provide training courses - although these are becoming more difficult to secure in the current economic climate. There is currently very little contact between the stations in Wales and the Welsh Government has undertaken work to develop and strengthen this sector through improved communications. This could, for example, offer the possibility of creating a coordinated joint air time sales capacity for the sector in future.

The stations are designed to cover far smaller geographic areas than commercial stations, typically no more than a 5KM radius on FM (VHF). However, AM (medium wave) transmission is also an option, offering greater day time coverage but suffering from poorer reception at night due to interference from continental stations. However, current transmission policy, which favours DAB, makes coverage of sparsely populated large rural areas more difficult – a significant issue referred to above. Ofcom has recently held a further round of community radio licensing in Wales and some of the applications received are based in more rural areas where a wider area coverage might be required.

Ofcom operates a Community Radio Fund (£0.5 million a year), which has to service the needs of over 200 stations across the UK. But in addition, the Welsh Government currently operates a fund specifically for the stations in Wales, worth £0.5 million over five years. Given that only nine stations qualify for this funding, it has so far proved to be vital for the stations in Wales, supporting their overall sustainability. The fund's current term ends in 2012 and it is now being reviewed by the Welsh Government's Heritage Minister, Huw Lewis AM.

Potentially, community radio represents an important media sector for Wales. By their nature, the services generally have far higher levels of speech based content than the music-led commercial stations based in Wales, although they are often not well-resourced enough to provide an extensive amount of local news. Nevertheless, community radio stations do, through their general speech programming, make a significant contribution to media plurality at a local level, particularly as the local press has declined significantly in many areas of Wales. They also provide an important method of addressing digital exclusion, by training volunteers and providing them with access to digital technology and on-line services. The Welsh Government has already recognised the sector's contribution in this area and its potential to assist with future economic regeneration and renewal.

The present regulatory regime places a significant burden on community radio. However, there may be an opportunity for liberalisation if the proposed switch to DAB Digital Radio transmission eventually goes ahead. At that point, much of the present VHF Band II, used for FM transmission will be freed up as the BBC's services and the larger commercial stations move over to DAB. This would provide more spectrum for community stations to continue to operate on FM in VHF Band II.

However if this move does happen (and it is by no means a certainty at this stage) it will be vital that these services are not left 'isolated' from new DAB receivers that do not also include FM. Manufacturers could help in this area with some design innovations. For example, it would be possible to develop electronic programme guides for digital radios which would combine the RDS digital data from existing FM services with DAB data (and other future digital formats such as DAB+ or DRM+) to offer listeners the ability to select stations by name, without being concerned about the band/transmission technology used. In this way, the prominence of community stations could be maintained in the digital age.

Recommendations

- 25. That Ofcom and the Welsh Government should conduct a detailed study of the financial viability of all Wales-based radio stations, together with their levels of local output, to arrive at a view of how best to secure at least the current level of local provision for the future.**
- 26. That Ofcom should be empowered to prescribe levels of Welsh language output in ILR licences in Wales.**
- 27. That the Welsh Government should renew the existing Community Radio Fund for Wales, recognising that the sector will make an increasingly important contribution to media plurality and digital inclusion at a local level in Wales.**

- 28. That consideration should be given to the devolution of community radio policy to the Welsh Government.**
- 29. Migration to DAB, if it occurs, offers an opportunity to clear the FM VHF band to enable a greater range of community stations to develop. The Welsh Government should therefore consider how the existing Community Radio policy could be modified to address the specific needs of Wales.**
- 30. That the Welsh Government, in partnership with the UK Government, should develop a dialogue with receiver manufacturers, to ensure that future car radios continue to include AM and FM along with DAB (and other future digital formats). Radio manufacturers should also be encouraged to develop EPG style radios and other innovative technologies to ensure that community radio services are not left isolated on FM/AM.**

6 Online

Digital Convergence is having a profound impact on the provision and availability of media services. Broadly, the content provided is no longer defined by the type of network, as was the case in the past. Content provision has been separated from the transmission medium. For example, video content can now be distributed on-line – to smart televisions, computers, smartphones and tablets - and is no longer the preserve of television broadcasting.

Independent producers are increasingly realizing that obtaining broadcast commissions is not the only option – providing programmes on-line offers a direct way to reach their audiences representing a new route to market. For example, the producers of Alan Partridge Mid Morning Matters, a comedy about a fictional radio station, secured distribution direct to its audience via broadband with sponsorship from Fosters larger. Some producers in Wales have also been looking at this as a possible distribution option.

At the same time public service broadcasters are collaborating to provide an internet-based video on demand service through YouView – a combination of digital TV, plus BBC iPlayer, ITV Player, 4oD, Demand 5 and SeeSaw. This is a development that may alter viewing habits in a more fundamental way even than personal video recorders have done in recent years. It will be imperative that content designed for Wales, whether in Welsh or English, is easily available through such services on all platforms. Welsh content cannot risk being confined to a digital attic.

Convergence is enabling new services and technologies to develop. Smart TVs, that enable the television to act as a central hub for on-line as well as broadcast content, are now becoming available as mass-market consumer goods. Broadband penetration has already reached 71% of households in Wales and the Welsh Government has ambitious plans, through its next generation broadband procurement, currently being conducted, to secure a minimum of 30 Mbps of connectivity to all premises in Wales by 2015.

While these developments provide boundless opportunities for innovation, in the public and private sectors and for broadcasters and producers, it is worth remembering that even in this environment television has remained the dominant platform – and this despite the greater use of on-line by younger people and their ‘media stacking’ habits of using more than one medium – facebook, texting and TV viewing simultaneously.

It will be essential for the creative media industries to grasp these new commercial, technological and creative opportunities. The Welsh Government has demonstrated its awareness of the importance of this sector by designating it as a priority sector for economic development and establishing both a Creative Industries Advisory Panel and a Digital Wales Board. Wales has emerging talent in private companies and in its universities – developments such as the entrepreneurial ‘boot camp’ linked to Newport University. Newport’s own Institute of Advanced Broadcasting is currently exploring models of IPTV. Local television, if it emerges, would logically end up being provided on-line, in a way that is far more cost-effective than terrestrial broadcast.

This is a fast moving area and it will be essential that the industry and government retain the knowledge and flexibility to respond speedily to technological and commercial developments

Recommendations

- 31. That the Welsh Government, in conjunction with Ofcom, should monitor markets and technologies constantly and ensure that it has the best possible research capacity and data to stay ahead of the game.**
- 32. The Welsh Government (and all its agencies) should address issues of demand-side stimulation so that the full economic, social and cultural benefits of its investment in the enhanced connectivity of high-speed broadband is realised.**

7 PSBs and spectrum allocation

The UK's television services are broadcast, by international agreement, in UHF bands IV and V which, for the purposes of engineering an analogue television network, was divided into 47 channels, each 8 Mhz wide, numbered as channels 21-68 and running from 471.25 Mhz to 853.25 Mhz. These frequency allocations were agreed internationally in the early 1960s. However, more recently, the value of this sub 1Ghz spectrum has increased significantly due to the development of digital mobile technologies and convergence.

Spectrum engineers often refer to the UHF band as the 'sweet spot' because it represents the optimal part of the radio spectrum in terms of service provision and commercial exploitation. There is a trade-off between frequency and the capacity to carry information (bandwidth) - higher frequencies are needed for data intensive services such as mobile broadband, but for a given power they don't travel as far as lower frequencies. The UHF band is optimal because its frequencies are high enough to carry large amounts of data, but still low enough to travel significant distances (and penetrate building walls etc).

The development of digital terrestrial television has provided a significant economic opportunity for the UK. DTT makes more efficient use of the spectrum than the old analogue system. One 8 Mhz UHF channel that used to carry an analogue television channel can instead carry a DTT multiplex, capable of carrying 8-10 DTT services, or even up to 4 high definition television services. Once the digital switchover process has been completed across the UK, a significant amount of spectrum in the UHF band will be released for other purposes.

The 800 Mhz band will soon have been cleared of television services and is being coordinated across Europe for the use of mobile voice and broadband services. Ofcom is due to start an auction process for UK-wide licences of this spectrum later next year. In addition it will also be auctioning spectrum in the 2.6Ghz band for use by much more local mobile services, mainly in urban areas. To coincide with this development and the liberalisation of the 900Mhz, 1800Mhz and 2.1 Ghz spectrum currently used by the mobile operators, new technologies - 4G/LTE services - are currently being developed which will allow much faster mobile broadband services, compared to the current 3G services. The spectrum to be auctioned by Ofcom will inevitably attract very high bids due to its economic value to mobile providers and broadcasters.

The future licensing of Channel 3 and 5 services also, therefore, raises spectrum allocation issues. Ofcom has cleared the 800 Mhz band ready for a spectrum auction process next year which could result in new 4G/LTE mobile broadband services being deployed.¹⁷ The television transmitter operator, Arqiva in conjunction with the telecommunications operator Alcatel Lucent, successfully conducted trials of this new technology at the Preseli television transmitter last year. A new trial of 4G/LTE mobile services is currently being conducted in central London.

Given the significant value of this and other spectrum, policies concerning its efficient use have been developed. During the last decade there has been a shift away from the traditional 'command and control' approach of the past to market mechanisms, in which

¹⁷ Ofcom is likely to include 95% coverage obligations in at least one of the 800 Mhz licence to be advertised as part of the auction process, to encourage the provision of mobile broadband services in more rural areas.

spectrum will be a tradeable commodity. In addition, a regime of administered incentive pricing (AIP) will aim to maximise spectrum efficiency and create a disincentive to hoard spectrum without using it. In the future, it is likely that broadcasters, along with all other spectrum users will have to pay AIP charges.

Since there is no spectrum charge at present the introduction of a charging system could seriously affect the capacity of public service broadcasters to deliver the services that we will expect of them. For instance, it may be fundamental to an assessment of what public service obligations we can expect a Channel 3 licensee (ITV) to provide. If, as is expected, the charge will also be levied on the BBC, it could harm the case – set out above - for providing a facility for opting out in the nations on BBC2HD.

In its October, open letter¹⁸ Ofcom asked for comment on the level of PSB commitment that would be sustainable as part of its assessment regarding the future of the Channel 3 licences, taking account of the benefits of holding such licences and of the proposed introduction of Administered Incentive Pricing (AIP) where broadcasters would make an annual payment based on the commercial value for the spectrum they hold. This would be part of a wider policy to secure maximum spectrum use efficiency applying to all category of users (including for example, mobile voice and broadband service providers). The deadline for comments was **4 November**.

Recommendations:

- 33. That any consideration of the devolution of powers over broadcasting should also take account of the need for devolved powers in relation to the relevant areas of spectrum and telecommunications policy. In a converged digital age, it is not possible to consider these policy fields in isolation.**
- 34. Consideration should be given for the public services broadcasters to be exempted from, or be subject to significantly reduced, AIP fees in return for specific PSB commitments. This would include in Wales, requirements relating to the Channel 3 licence to provide a suitable proportion of news and other programmes for Wales.**

¹⁸ stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/Open-letter.pdf

7 Newspapers

Newspapers are a key component of media plurality. Although television is now cited as the primary source of information for the majority of people, newspapers perform their journalistic function in a way that differs significantly from public service broadcasters. They are not bound, either by statute or Royal Charter, to observe balance and impartiality. They are freer to campaign and to offer partisan opinion, whilst the nature of the print medium often allows for a level of detailed coverage that is often difficult to achieve on radio or television. It is important, therefore, that we should do everything possible to encourage a flourishing newspaper industry in Wales.

The weaknesses of the print media dispensation in Wales have been rehearsed many times. Newspaper consumption in Wales is dominated by London titles that contain little or no news of Wales outside sport. There is no truly national newspaper that circulates equally throughout the country. The circulations of our only indigenous daily morning newspapers – the *Daily Post* in north Wales, and the *Western Mail* in south and mid Wales - have been in sharp decline for more than a decade. By now they account for scarcely more than 10 per cent of daily readership in Wales.

In common with most other regional newspapers that decline is continuing. The latest available figures, for the first six months of 2011, and showing the year on year decline, are as follows:

Title	Circulation	Change %
Daily Post	31,802	-1.9
South Wales Argus	23,332	-5.5
South Wales Evening Post	40,149	-5.8
South Wales Echo	32,754	-7.4
Western Mail	26,931	-8.9
The Leader (Wrexham, Flint, Chster)	16,131	-12.5

Source: ABC

It must be of concern that the newspaper that devotes the most attention to the workings of Welsh democracy saw the second largest circulation decline in that period, although it has to be said that UK titles have been experiencing even bigger declines. In September 2011 all UK titles showed very sharp year on year contraction.

Title	Circulation	Change %
Daily Mirror	1,143,778	-5.73
Daily Star	681,268	-21.18
The Sun	2,725,323	-8.37
Daily Mail	2,008,817	-6.32
Daily Telegraph	607,186	-7.92
Financial Times	344,583	-11.7
The Guardian	232,566	-16.38
The Independent	176,983	-3.17
The Times	429,554	-11.77

Source: ABC

This same pattern was also seen in Scotland's main indigenous titles, although it has to be said that these titles face more competition from the Scottish editions of London newspapers.

Title	Circulation	Change %
The Herald (Glasgow)	46,797	-12.28
The Scotsman	39,428	-9.23

Source: ABC

Newspaper production within Wales is dominated by one large regional newspaper company, Trinity Mirror plc, which owns more than 160 titles across the UK, and 40 per cent of the titles in Wales, including the *Western Mail* and *Daily Post*. The other companies in the sector are Newsquest (South Wales Argus), Northcliffe Media (South Wales Evening Post), NWN Media (based mainly in North Wales), and the Tindle Group.

As the National Assembly's June 2009 inquiry¹⁹ reported, all are under pressure, largely as a result of the migration of classified advertising from print to the web, but also from increases in newsprint costs. The business model for newspapers has been revolutionised by the development of online media. Most newspaper groups regard online versions of the core newspaper as essential component of a sustainable business model, even if the complete content of the newspaper is not replicated online. However, no profitable business model has been found thus far, and the investment is not at present delivering the requisite profits, and many believe that it is unlikely ever to do so.

The effect of the shift to the web has been characterised by one commentator as 'replacing analogue pounds with digital pennies'. This is clearly illustrated in Trinity Mirror's last interim accounts that record an operating profit margin of 14.8 per cent on its print activities, but only 3.6 per cent for its digital activities²⁰ - the latter still accounting for only 11 per cent of its regional revenues.

At present there is little to substantiate an optimistic view of the impact of online on the profitability of newspaper groups and it seems inevitable that as consolidation continues, the numbers of staff, including journalists, will decline and that the quantity and quality of original journalistic content will suffer.

The 2009 report conceded that the National Assembly and the Welsh Government could do little to change market forces in the sector, but that the Assembly and Welsh Government could work together to "provide some relief to local newspapers in these difficult times." That situation has not changed.

Opportunities to assist lay in three areas:

¹⁹ The Welsh Newspaper Industry. Report by the Communities and Culture Committee Broadcasting Sub-Committee. June 2009

²⁰ Trinity Mirror Interim Results, August 2011

- Seeking a relaxation of cross-media ownership rules to allow the exploration of new partnerships while also protecting the plurality of media. (Such a relaxation was proposed by Ofcom last year.²¹)
- Developing ‘a strategic approach to public sector advertising taking account of the circulation and penetration of newspapers involved and ensuring that relevant titles are not overlooked.
- Reducing the use of local authority newsletters, that the 2009 inquiry judged to be “not an appropriate use of public funds”.

Those conclusions are still relevant today. This current Task and Finish Group has already heard the continuing concerns about the future of the sector in Wales and the reduction in the number of journalists and in journalistic content.

Cross ownership

The cross-ownership rules are that one person cannot own, in a local radio coverage area,

- a local analogue radio licence; and
- a regional Channel 3 licence whose potential audience includes at least 50% of that radio stations potential audience; and
- one or more local newspapers which have a local market share of 50% or more in the coverage area (**the Remaining Rule**).

Ofcom was asked to consider whether ‘the remaining rule’ should be dropped. Although it said this was a matter for political judgment and decision, it said the risks of a concentration of control needed to be weighed against more reassuring factors. They were:

- Local media is facing significant economic pressure which the most recent evidence suggests is becoming more acute. Removing the remaining rule could allow local media greater options to consolidate to respond to these pressures.
- While only a limited group of consumers (5%) consider the internet their main source of local news, there is a growing diversity of local news available through non-traditional media. There are therefore increasingly alternative sources of plurality.
- As noted, there are protections for plurality which would continue to operate: the combination of the BBC and the commercial sector, the public interest test operated by the Secretary of State and the merger regime would all continue to operate in parallel.

Given the parlous state of the finances of both local radio and newspapers, there is much to be said for seeing whether they could assist each other either through partnership or merger. For example, there may be something to be said for enabling the strengths of

²¹ Response to the Secretary of State: Local media – cross ownership rules. Ofcom 2010.

newspapers such as the *Daily Post* and *Western Mail* to be used to strengthen news coverage on commercial radio. Some have also wondered why there is not greater collaboration between the two titles, given that they do not compete in each other's primary territory.

Although some will worry about a threat to media plurality, this has to be balanced against an equal concern about the limited reach of Welsh news sources. We believe that it is inhibiting and unfair for newspaper companies not to be able to take ownership of other media outlets on a local level, whilst radio and television commercial companies are able to do so. However, any assessment of the impact of a relaxation of current cross-media ownership must be based on its impact on the local media market in Wales, and not wider considerations of the UK market. The Competition Commission would still need to be vigilant 'to prevent concentrations in local media through the merger regime'.

Supporting journalism

Recent years have seen the emergence of many online initiatives that expand the area of commentary – the IWA's own *clickonwales.org* and *waleshome.org* are but two examples - but these should not be seen as an alternative to professional journalism. Society still needs a professional cohort paid to monitor, investigate and report. The unpaid journalism of opinion, often representing specific interests or otherwise partisan points of view, is not an adequate substitute.

That is why the Welsh Government should use whatever legitimate means it can to support the viability of newspapers, through a continued spend on advertising where appropriate, and through persuading local government to solve their own communications needs in partnership with local newspapers rather than in competition with them.

Whilst the volume of job advertising by Government in newspapers has markedly reduced in the past four years, with most job advertising having moved to official websites, it still has a responsibility to advertise printed highway orders and public notices. In 2009 the committee recommended that this should be done in the most relevant local newspapers, which was not often the case. That recommendation holds good.

In 2009 the committee's report did not give full consideration to the issue of local government spend on their own newspapers, or to the more general spend of public bodies such as health boards, on public information. The majority of local authorities produce free sheets, and the spend on these newspapers can be considerable, varying from tens of thousands to over a million pounds per year. The proliferation of local authority newspapers and newsletters, may be a response to the decline of newspaper coverage of local government itself, but turning one's back on the local newspaper is not the right response.

The Welsh Government should encourage local authorities to transfer their present spend on council produced free newspapers to local newspapers, possibly in the form of editorial supplements. Whilst the level of spend varies widely, its impact could be significant for local newspapers.

New models

Dramatic forecasts of the demise of the newspaper industry in many countries may be overdone – newspaper groups still win nine-tenths of their revenues through the printed page, but it is hard to see where or when the decline will be arrested, not least given the prospect of high speed broadband, and the spread of smartphones and tablets. The search for new models is extensive, both by big business organisations, cooperative groups and voluntary teams, but few if any have succeeded in finding this holy grail.

In time, governments may have to consider carefully whether or not some element of indirect subsidy to local journalism may be necessary. We have seen already the development by the Welsh Government of a community radio fund. It is also funding an online Welsh language newspaper, Golwg 360 - the money being distributed through the Welsh Books Council. There may come a moment when society will need a more systematic way of ensuring that local media continue to exist. That may have to be allied to the development of new ownership models – cooperatives, not-for-profit companies, community interest companies etc. That moment may not yet have come, but there is a case for beginning to think through these propositions now.

Recommendations:

- 35. That the Welsh Government should support a measured relaxation of cross-ownership rules ownership, while ensuring a minimum level of plurality within localities.**
- 36. That the Welsh Government should encourage local authorities to desist from producing their own newspapers or newsletters and to seek partnership arrangements with their local newspapers to secure their communications objectives.**

SECTION B: INFLUENCE AND RESPONSIBILITY

1 Creating effective influence

The importance of the issues listed in this paper, the length of the agenda, and the rapidity of change confirm, beyond any doubt, that Wales must develop a permanent capacity for monitoring and influencing policy in this field. At present that capacity is limited and fragmented and less effective than it needs to be. The chain of events affecting S4C has also raised the whole question of the devolution of powers in the media field.

On the face of it we are not short of bodies that enjoy some locus in the debate. The Welsh Government has established a Digital Wales Advisory Board and a Creative Industries Panel, both answerable to the Business Minister. Oversight of broadcasting and the media – a non-devolved area - are the responsibility of the Heritage Minister, but he also has larger devolved responsibilities for housing and regeneration within his brief. The Assembly does not have a committee devoted to the Heritage portfolio. It is the Communities, Equality and Local Government Committee that has established a task and finish group on media – a body which, by definition, has a limited lifespan.

Over the years Ministers and committees have both made some valiant forays into the field, but both lack the human resource – either within the civil service, or the Assembly's hard-pressed 45-backbench members, to sustain continuous forensic analysis of a fast-moving scene, let alone to develop the necessary foresight to anticipate and shape developments.

To gain some sense of the difficulty of keeping pace with events in this policy area, it is instructive to look at the volume of public consultations undertaken by the three key agencies – Ofcom, the BBC Trust and DCMS. Since the beginning of 2010

- Ofcom has undertaken more than 140 separate public consultation exercises, of which at least a dozen were very relevant to Welsh interests
- the BBC Trust has conducted 18 consultations, of which we would say that eight were relevant for Wales
- the DCMS has conducted four consultations relevant to Wales

At a conservative estimate, therefore, since the beginning of 2010, there have been 24 public consultations in the media and telecoms fields to which Wales should have offered some response. The Welsh Government did respond to the most important of these – including the BBC's 2010 Strategy Review and the BBC Nations Radio Review – but did not respond to the DCMS's Local Media Action Plan. The Scottish Government responded to all three, in the last of which it set out how local television might become part of its proposed Scottish Digital Network.

We understand that the Welsh Government does intend to respond to the consultation on the BBC's Delivering Quality First document, and we would hope that the Task and Finish Group itself would wish to do so as well.

Outside Government there are other advisory bodies and executive arrangements. Until recently Ofcom in Wales had a staff of eight, but this has now been reduced to five, a figure which includes a field engineer. Ofcom's Wales Advisory Committee consist of six people, including the Welsh representatives on the Ofcom Content Board and the Welsh Communications Consumer Panel, the last of which is currently being reconstituted.

S4C is an independent Authority of nine members, supervising a management board of six. The BBC in Wales has its seven-strong management board, with lines of accountability going, via the Director Wales, straight through to the BBC's Broadcast Direction Group, one step down from the BBC Executive Board. Like Scotland and Northern Ireland, Wales is represented on the BBC Trust by a national trustee who also chairs a 10-person Audience Council for Wales. Until recently ITV Wales had an eight-person advisory council. This has now been disbanded.

Ian Hargreaves, in his 2008 review of the creative industries in Wales²², said that 'when devolved administrations have asserted themselves, they have got results, but he also pinpointed the weaknesses of low profile advisory systems. Similarly, in a lecture in 2010²³, Geraint Talfan Davies argued that these mechanisms were not always effective "because, in everything that matters, the arrangements are either private or cosmetic or both". Since those strictures were made it has to be said that the S4C Authority has achieved a much higher profile, but for the wrong reasons, while Ofcom's Wales Advisory Committee has proved particularly active and robust in stating its views. This is in contrast to the BBC's Audience Council for Wales which should be empowered to contribute to public debate as it arises, and not merely within the context of its formal annual review.

However, none of these bodies is resourced in a way that allows them to conduct a detailed and systematic monitoring of media performance and policy in Wales. In 2008 the then Heritage Minister commissioned the IWA to carry out an audit of media provision in Wales.²⁴ This complemented the annual Communications Market data produced by Ofcom, and which has a more technical and economic emphasis. The IWA audit was the first time that factual information about print and electronic media in Wales had been collected in one place, and was largely based on data up to 2006-07. There have been significant changes in funding and output since those data were gathered. Such an audit needs to be updated annually, if we are guarantee speedier responses.

If Welsh policy interventions in the media field are to be properly informed there is a need to establish a permanent media monitoring capacity. This would best be done by an independent agency such as the IWA or a university department, rather than be absorbed within government. The data should be in the public domain, nourishing healthy debate.

²² Hargreaves, Ian, *The Heart of digital Wales: a review of the creative industries*. Welsh Assembly Government 2010.

²³ Davies, Geraint Talfan, *Devolution and broadcasting*. Lecture to the Honourable Society of the Cymmrodorion, 2010.

²⁴ Davies, Geraint Talfan and Morris, Nick, *Media in Wales: Serving Public Values*. IWA 2008.

2 Devolution and broadcasting

Both Hargreaves and Talfan Davies took the view that the key weakness in establishing Welsh influence was the lack of any devolved responsibility in the broadcasting field. Ian Hargreaves argued that the level of public debate about S4C was not in line with its importance both culturally and economically and asked whether this was “a consequence of the fact that S4C is funded and largely regulated from London”. He thought that “the UK authorities involved (Ofcom and DCMS) lack the instinct and self-confidence to animate this uniquely Welsh debate and the Assembly lacks the formal mandate.”

This analysis has been confirmed by recent events relating to S4C. The Culture Secretary, Jeremy Hunt, though not short of the confidence to effect radical change, pursued his chosen course by avoiding public debate, while the *post facto* entreaties of Welsh ministers and united party leaders were brushed aside as of little consequence.

This has only sharpened the argument for the devolution of some responsibilities in this field. This would instantly raise this policy area up the list of priorities for Welsh ministers, and guarantee early consultation between London and Cardiff Bay on key decisions. It should also encourage the National Assembly to create a standing committee or sub-committee to address the issues. More importantly, it would be a way of bringing these issues more regularly and forcefully into the public domain by forcing Welsh Government ministers to make their views public, giving the Welsh public and civil society greater purchase.

It is imperative that we seek to establish a cross-party consensus on this matter as soon as possible, as it will provide a necessary context for the development of policies to deal with individual issues.

We believe that the foundation for such a consensus should be the proposition that UK-wide regulation will remain a primary force in media regulation for the foreseeable future, but that detailed provision needs to be made for the sharing of responsibilities between Westminster and the devolved administrations.

In his Cymmrodorion lecture²⁵ Geraint Talfan Davies described the way in which responsibilities are already shared between different tiers:

“Since 1989 we have been subject to a European Broadcasting Directive, *Television without frontiers*, which sets the legal framework within which television broadcasting in the EU operates. Apart from economic regulation it provides minimum harmonisation on the protection of minors and public order, consumer protection, definition of independent producers and the regulation of tele-shopping. This was amended in the 1997 Treaty of Amsterdam to take account of the emerging new technologies, at which time it stated, to my mind significantly, that the EU had to have regard to the cultural aspects of all policies, and to the need to protect lesser used languages. This legislation was further updated in the 2007 *Audiovisual Media Services Directive*,

²⁵ Ibid.

legislation decided on for the first time by co-decision with the European Parliament.

“In the UK it is true that all formal responsibility resides at Westminster, but the devolved administrations have managed to intrude at various points. The Scottish Government funds the Gaelic Media Service, which allows it to be the main funder of the BBC Alba channel, contributing nearly £10m to the channel’s total budget of around £14m.

“The Welsh Government’s Heritage Department supports a Community Radio Fund, dispensed directly, as well as a Welsh language online news franchise, awarded bizarrely by the Welsh Books Council. The BBC National Orchestra of Wales is the only BBC orchestra to be funded by an arts council – the Welsh Government funded Arts Council of Wales. Our Arts Council also funds the Film Agency for Wales, but with the lottery monies that it receives from the DCMS - funding films that often have a broadcast investment attached. In addition, the Welsh Government’s Economic Development Department has provided substantial funding for the extension and promotion of the broadband network in Wales.

“In Northern Ireland the 1998 Good Friday Agreement included a commitment – and I quote - “to encourage and provide financial support for Irish language film and television production in Northern Ireland *without adversely affecting English language broadcast provision*”. [My italics] As a result the Northern Ireland Government has established an Irish Language Broadcast Fund, that part-funds Irish language programming on BBC services as well as working in collaboration with the RTE and TG4 in the south.

“In parallel with these indigenous funding mechanisms, an informal accountability to the devolved administrations has grown up, largely through the work of their committees, before which assorted broadcasting panjandrum appear and are questioned from time to time, although a good deal more harshly in Scotland than in Wales. The DCMS and the Welsh Government also have a concordat to govern their relationship, although this is said by officials to be ‘a backstop rather than a bible’.”

Given all these developments we can see no issue of principle that should prevent new arrangements being devised that would both improve the accountability of media institutions operating within Wales and give Welsh Government the means of effective influence. The spirit of such change should also extend to the devolution of responsibilities within organisation such as Ofcom and the BBC. Primary candidates for devolved responsibilities include S4C and commercial and community radio licensing.

The creation of specific BBC National Services Licences for Scotland, Wales and Northern Ireland – for which there will be a precedent in the arrangements agreed for the partnership between the BBC and S4C – should entail increased local decision making within the BBC, possibly through evolving the Audience Councils into BBC Trust bodies for each nation, administering block grants from the BBC Trust. In this way a better balanced BBC could be

created in which a sensible degree of autonomy within the devolved nations could be established without any loss of the BBC's strengths at a UK level.

This is a complex area, where there will be different views on where dividing lines should be drawn. We propose, therefore, that a working group of experts should be established immediately to work up detailed proposals so that they can be considered by the Silk Commission, by the drafters of a new Communications Bill and those reviewing the BBC Royal Charter.

This work, together with the project proposed in the first section of this paper - to determine our future broadcast needs in terms of our democracy, culture and economy – should be done in close liaison with the Creative Industries Panel, so that all aspects can be brought together in a holistic view of the Welsh media environment.

Recommendations:

- 37. That a permanent and independent media monitoring capacity be established to monitor developments in media policy, performance and delivery, in order inform government and elected representatives and to nourish public debate.**
- 38. That the Welsh Government should strengthen the Heritage Department's capacity to provide timely and expert advice to Ministers on media policy.**
- 39. That much stronger joint working arrangements between the Heritage and business departments should be put in place in order to secure the maximum economic benefit from media policy.**
- 40. That the Welsh Government should establish a working group to examine options for the devolution or the sharing of powers (between Cardiff and Westminster) in the media field within a continuing UK framework. This should include options for the devolution of some responsibilities within the BBC and Ofcom.**
- 41. That the Welsh Government should take steps to establish a cross-party consensus in Wales on proposals that may emerge from the work group.**

Appendix 1

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