



Welsh Affairs Committee

Oral evidence: [Broadcasting in Wales](#), HC 450

Wednesday 24 February 2016

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Members present: David T.C. Davies (Chair); Byron Davies; Chris Davies; Dr James Davies; Gerald Jones; Stephen Kinnock; Liz Saville Roberts; Mr Mark Williams

Questions 356–379

Witnesses: **Mr Edward Vaizey MP**, Minister for Culture and the Digital Economy, Department for Culture, Media and Sport, and **Alun Cairns MP**, Parliamentary Under-Secretary of State, Wales Office, gave evidence.

Q356 Chair: Ministers, both of you, good afternoon. Thank you very much for coming down a bit earlier. I am informed there may be a vote at 4.45 pm, so I thought it might be useful to try to come a bit earlier and hopefully finish all of this off by then, which I hope will be convenient for you as well as for us. Without further ado, perhaps I could start with Gerald Jones, please.

Gerald Jones: Thanks very much, Chair. Yes, earlier this month we had some very positive news around the future funding of S4C. Could I ask what caused you to change your mind and reverse the DCMS grant cut to S4C?

Mr Edward Vaizey: I think I had better answer while Mr Cairns pours the water. Thank you, Chairman, for asking myself and Mr Cairns to appear before you today to talk about these issues. I think that probably the main contributory factor to looking to sustain the funding for this fiscal year or the fiscal year coming up was because of our commitment to a review of S4C after we concluded the charter review of the BBC. We wanted to put S4C in the same position as it has been this year in order to, as it were, keep a holding position until we have the chance to conduct this independent review.

Gerald Jones: Thank you very much.

Q357 Mr Mark Williams: I very much welcome that announcement. Whether it was the effect of the Wales Office or early hour sittings in the Chamber, whatever it was, there was a relief all round that for this year at least there is that additional funding. Without being too gloomy, we talk about this year; does that mean that in future we can still expect further cuts to the grant in line with the original proposals for the following years?

Mr Edward Vaizey: I think it is good news the BBC has committed to continue to fund S4C at the same level for 2017-18, so that effectively takes us to 2016-17 in the same position, 2017-18 pretty much the same position, certainly the same position from the BBC's perspective. I think if you look at the overall funding climate for S4C it is worth remembering that DCMS sustained S4C's funding through a period of cuts in 2013-14 and 2014-15. In fact, it went up in cash terms. We have, where we have had room for manoeuvre, been very keen to preserve S4C's funding. Overall, also, if you look at the total funding of £100 million at the beginning of the last Parliament, 2010-11, to around £81 million now, the overall cut, approximately 20%, compares I think very well with the overall level of cuts that many other bodies under DCMS have had to sustain because of the economic climate. I think we have worked very hard as a Department to preserve S4C's funding.

Q358 Mr Mark Williams: You would encourage us to be optimistic after this year, but you have not ruled out that next year we could still be back where we were, the concern about cuts to the DCMS element. Could we still be there?

Mr Edward Vaizey: As I say, we have worked very hard to sustain S4C's funding. We have preserved it from cuts for a considerable period of time when other arm's length bodies were being cut. There was a cut, which has since been reversed because of the desire to preserve the position for the independent review, but taken within the overall funding envelope for S4C it was not. I know people like to portray it as a 25% cut to S4C and if you were not taking as close an interest in these matters as I know this Committee does, you would think that was pretty devastating. Of course, £400,000 out of an £81 million budget is not a 25% cut.

We will continue, obviously, to have to review the funding climate for all DCMS bodies going forward, but obviously as well the economy is in a better position than it has been for many years and we got a good settlement this time around. I cannot predict what the climate will be in two or three years' time.

Alun Cairns: Can I add, Mr Chairman, that the review that the Government has committed to will look at the remit, governance and funding of S4C and that obviously is an open review? I would think that the reinstatement of the £400,000 demonstrates the Government's commitment to have a fair and balanced review to look at all of those issues.

Q359 Mr Mark Williams: Just finally, Mr Chairman, the Culture Minister mentioned the welcome news that the BBC Trust decided to freeze funding for S4C over the next two years. Cynics would say, perhaps, "Is that going to be at the expense of cuts to BBC Wales?" What is your thought on that?

Mr Edward Vaizey: I would not listen to cynics.

Q360 Chair: Just to finish that off, Minister—and I would address this specifically to yourself because I know Mr Cairns knows this—could we assume from this welcome decision that the Government recognise not only the importance of the Welsh language to

Wales but the importance of S4C to the Welsh language and is that the cause for us being optimistic?

Mr Edward Vaizey: Yes, it is. I have obviously been involved with S4C's future for many years now because I was in post in 2010-11 when we had to, first of all, wrestle with the budget climate we were working in. I am very well aware, first of all, that S4C was the creation of a Conservative Government in the 1980s. I was very well aware in the period of 2010-11 in terms of parliamentarians in both Houses who wanted to discuss S4C's future with me how passionately people care about S4C and its contribution to the Welsh language and vice versa. As I say, working particularly with Maria Miller during a very tough budget settlement to protect S4C's funding settlement, again I do not think we would have worked—well, we would have worked hard, but that was helped by the fact that in the original debate about S4C's future in 2010 I certainly had impressed upon me the importance of S4C and we continue to take it very seriously.

Q361 Chair: Not least from this Committee, no doubt. Finally then, I will mention again that the Welsh Eisteddfod, the national Eisteddfod, will be held in Monmouthshire this year. I know that Ministers from the Welsh Office, of course, will be there, but I am sure that DCMS Ministers would also be very, very welcome if they want to see for themselves just how important the Welsh language is to everyone. I would be very happy as the local MP to help facilitate that if you wanted to think about it.

Mr Edward Vaizey: I have already said to you, Mr Davies, in the Chamber of the House that I would be happy to attend the Eisteddfod and I can also accept on behalf of my Secretary of State, John Whittingdale.

Chair: Thank you very much.

Q362 Liz Saville Roberts: Minister, you said in your evidence in January 2011 that your Department was concerned that S4C was not making the impact on the Welsh language and Welsh culture that perhaps it could have been. In the interim, it has had cuts in the region of 36% in real terms and it is now running 57% repeats. What impact do you think it is making at present without the concern about the cuts, which have been taken back for a while?

Mr Edward Vaizey: I think S4C, like many organisations that have been funded by DCMS and, indeed, other organisations that receive public funding, has had to adapt to a tough funding climate. When we talk about S4C, we forget to talk about the fact the BBC licence fee was frozen and that was originally an offer made to us by the BBC. We chose to freeze the licence fee until the end of the charter review period. We cannot say, obviously, what the level of the licence fee will be when the charter is renewed. The media regulator itself, Ofcom, took it upon itself to make savings of 20% in preparation in 2010 because it knew what funding climate the incoming Government would face. I think S4C has adapted well to the necessary funding difficulties that all the organisations in broadcasting that I have to engage with deal with. Channel 4 itself, although it is not publicly funded, had to go through the recession when advertising revenues fell off a cliff. I am sure that my colleague, Mr Cairns, would want to talk about the huge impact that S4C makes in terms of independent production in Wales and the support it gives as well as the huge impact it makes on the Welsh language, but certainly DCMS Ministers are well aware as well.

Alun Cairns: Certainly, with permission, Mr Chairman, I want to underline the role that the channel plays socially, culturally and economically. That is recognised. I think it is also fair to say when we talk about maybe the output or performance of S4C we need to remember the turbulent time five and a half years ago where there were some difficulties in S4C at that stage. I think that the Government has acted strongly to protect and stabilise the channel to allow it the space in order to grow. People objected at the time to the deal and the arrangements with the BBC, but we tried to underline that this was going to maintain operational and editorial independence and I think by and large that is accepted by all, even the sceptics at that time. I think the Government's approach to the channel and the Minister's action, who has been in post since 2010, has been extremely positive. The channel is in a much, much healthier state now in terms of its organisation than it was maybe six years ago.

Q363 Liz Saville Roberts: But if I could reiterate 57% repeats, what is the future of that? What is the impact of that going to be? Are you satisfied with that in the way that the Government is committed to maintaining S4C?

Alun Cairns: I would say that those broadcast decisions have to be S4C's. It is not right for any Government to tell them what they should and should not broadcast or what they should and should not repeat or what they should or should not report. I do think that they need to be given the freedom in order to make that, but in responding to the calls from the industry and the sector from colleagues as well as S4C, the Government has committed to this review. This review will focus on remit, governance and funding and these sorts of issues can be explored or could be explored at that stage. I think it is important to recognise that that reinstatement of the funding demonstrates our commitment to ensure that this review is done properly and it is not done with any particular slant or any particular act that people think there is some sort of ulterior motive. There is not. We want it to thrive, we want it to grow but, of course, there are financial realities that we have to face as well.

Q364 Liz Saville Roberts: I must ask, excuse me, Minister, but have you seen S4C since 2011 and, if so, which programmes have you watched?

Mr Edward Vaizey: I have obviously seen the English language edition of "Hinterland", which has been a fantastic success on terrestrial television and I think is a great example of S4C producing programmes that people want to watch all over the world.

Q365 Liz Saville Roberts: Nonetheless, the significance of S4C is this is a Welsh medium. It is the only Welsh medium channel. Have you seen it in action since—

Mr Edward Vaizey: I am not a Welsh speaker, but I understand the importance of S4C for Wales. That is why we have preserved its funding and that is why if you look at the overall funding that S4C has had over the last five years it has done extremely well compared to comparable organisations, including the BBC itself.

Alun Cairns: Can I add, Mr Chairman, with permission, I am a viewer of S4C as a Welsh speaker, but I think the charge could be put to me as well as many other Welsh speakers

that we do not watch it maybe as much as we could and should? I think much of that responsibility lies with the channel as well because they need to be reaching out and broadcasting the sorts of programmes that people want to watch. Those decisions are matters for them, but if you go back, as I said earlier, to what the governance issues were like five and a half years ago, I think the stability has been given and I think that they are now doing excellent work in the quality of the programmes. There has been a shift in strategy. The quality of the programmes, as the Minister rightly underlined, “Hinterland” is just one of those, but award-winning BAFTA programmes that we talked about in the general debate some time ago demonstrate what the channel can achieve when it is given the space and the opportunity to do so. That is what we wanted to do.

Q366 Chair: I would like to bring you back in later on, if I may. I am just keeping an eye on the time. I think you have answered my point, if I may say so, Mr Vaizey, that you do recognise the importance of S4C to the Welsh language. The First Minister has been arguing that BBC Wales should receive an extra £30 million of funding. I have a feeling I know the answer to this, but is it something you would consider at all?

Mr Edward Vaizey: £30 million of funding for?

Chair: For BBC; actually for BBC Wales.

Mr Edward Vaizey: We have obviously engaged with the Welsh Government in terms of charter review and we will be publishing our White Paper we hope relatively shortly. We will take into account the submission that the Welsh Government has made in those terms. We take the views of the Welsh Government very seriously. It is part of our MOU, memorandum of understanding. We are formally consulting with them. I for one am extremely pleased that the BBC now has quite a significant production presence in Wales, so there is a lot of investment already going in. I also know that the BBC itself in its response to our Green Paper made it clear that it was very well aware of its responsibilities in terms of funding productions outside London, in particular Wales and Scotland.

Q367 Chair: Do you have any concerns, either of you, that the potential for the BBC setting up its own in-house company to produce programmes is going to crowd out some of the independent producers in Wales who we have been hearing evidence from?

Mr Edward Vaizey: We have been obviously talking to the BBC about their BBC Studios proposal and, again, I think it would be something for the White Paper for the Government to set out a view. Even when I say the Government will set out a view on the BBC Studios proposals, it may simply acknowledge the existence of those proposals; it may go further than that and come to a clearer view. Yes, we are aware of people expressing views about the impact that might have on the independent production sector, but I have to say those views go in both directions so we are well aware of them.

I think it is important to stress that the focus of this Committee has been mainly on the impact of S4C on Welsh language and culture, but we do recognise that S4C is a massive and significant intervention in supporting independent production in Wales. For that reason, we want to see independent production in Wales thrive. We want to see the suite of tax credits, for example, put in place for things like drama and animation to benefit

Welsh production companies as well. We would not want the BBC to do anything that would have an adverse impact on the Welsh independent production ecology.

Alun Cairns: These issues are debated with all independent companies and because we have such a strong cluster in Wales, the Secretary of State from the Department for Culture, Media and Sport was more than happy to meet with Welsh independent companies last autumn. These issues were part of that broad discussion that took place at the time, so we have certainly given the opportunity for the Welsh independents to make their case.

Q368 Stephen Kinnock: I think this issue of long-term planning and sustainability is critical for the future of S4C. What assurances can you give that, over the course of this spending review period and, indeed, beyond, there is a stable stream of funding for S4C so that the investment in the kind of innovation and creativity that they need to do, which is often quite long term, can happen, particularly if they are going to increase the output, which is not simply based on repeats? So, a long-term perspective, if you are able to give us some sense of that?

Mr Edward Vaizey: If this Committee was meeting in 20 years' time, I would expect them to be here potentially debating S4C. I do not see any scenario where S4C would disappear because S4C is, as I say, an integral part both of Welsh culture and the Welsh broadcasting ecology. We can always have debates about the level of funding and there will be people who say that we are not giving it enough money. There may be people who say that S4C gets too much money. From my own perspective, if you look across the landscape of broadcasting where Government funding is integral, whether that is independently through a BBC licence fee or through direct Exchequer grants, I think S4C has done pretty well considering the decisions we have had to make over the last five years. I think that S4C has very, very strong support in Parliament, very, very strong support in Wales, and it will always have advocates when it comes to decisions about its funding.

I do think what lies behind your question, Mr Kinnock, is that what has changed in the last couple of months, and I think it is particularly down to strong representations from Welsh Members of Parliament, is the need for a proper independent look at S4C once charter review is out of the way. That, I have to stress, is an opportunity for S4C. That is not an excuse to do nasty things to S4C. We have come to share the conclusion that this would be a good moment, once the BBC's future is settled for the next decade, to look at S4C and to consider everybody's perspective on how to put S4C on a sustainable footing.

Q369 Stephen Kinnock: And look at alternative funding streams? Clearly, 90% of its current revenue based on the licence fee, is it that this review that you are talking about in its scope would look at different ways of funding S4C going forward?

Mr Edward Vaizey: I do not want to set hares running. If I answer that question as simply yes, that would set hares running and potentially end up with a conspiracy theory. What I would say is that I would expect any independent review to take on board intelligent and thoughtful ideas about ways to fund the channel. At the moment, I am very content with the way that the BBC is preserving and protecting the funding for S4C. Referring to what Mr Cairns was saying earlier when we had the original decision to move the majority of

the funding to the BBC, there was a lot of concern about S4C's independence. I think those fears have not been borne out and I think the BBC has played a completely straight bat in preserving the editorial independence of S4C. At the moment, there are not, as it were, alternative funding proposals being discussed, but I certainly would welcome any intelligent, thoughtful proposals, particularly from Wales, if there are some for ways of funding the channel. But I want to stress there is no hidden agenda; I really do want to make that point.

Chair: You may well have cleverly managed to answer the next question as well in that one, but let me allow Dr James Davies to pick it up if he wishes to.

Dr James Davies: In terms of question 6?

Chair: Yes.

Q370 Dr James Davies: Yes. There is what is regarded as a successful operating agreement between the BBC Trust and S4C. How can you assure us that that will not be harmed by any successor to the BBC Trust?

Mr Edward Vaizey: We are going to set out our proposals in the White Paper as to the future governance of the BBC. We are due to receive a report from David Clementi, who is undertaking an independent review of the BBC's governance for us. Once we receive that review and Ministers make decisions on the basis of that review of what the White Paper should propose, either as a clear position from the Government or a number of alternatives—as we did in the Green Paper but you would expect the White Paper to narrow those views—we would certainly take into account the need to support S4C within those proposals.

Alun Cairns: Can I add to that? We talk about the agreement between the BBC and S4C. I think the personalities involved between the member of the Trust and the chairman of S4C lend themselves, having worked closely together at the channel for some time. We are keen to see what we can do that would at least protect it, even if different personalities are in place. We are keen to see a positive agreement that works for everyone.

Q371 Dr James Davies: Concern has been raised with us about the recommendations of our colleagues on the Culture, Media and Sport Select Committee in terms of removing the trustee for Wales in the replacement for the Trust in any future governance model. Do you have any thoughts on that?

Mr Edward Vaizey: As I say, I think the governance arrangements will be set out in the White Paper, but I hear what you say and I certainly think the White Paper will take into account the needs not just of Wales but also Scotland and the regions of England.

Q372 Byron Davies: Mr Vaizey, in December you told Parliament that while there was a 6% fall in the number of S4C viewers in Wales in an average week, there was a 31% increase in the number of online viewing sessions of S4C content and a 23% increase in the number of people viewing S4C throughout the UK. Ofcom has said that the standard industry measures are not that granular so it is quite difficult to drill down into smaller areas to see what people

are using. You previously said that S4C was more generously funded than any other media organisation in terms of the number of viewers it receives. Do you think these linear viewing figures are the only way and the best way to measure the success of a public service broadcaster?

Mr Edward Vaizey: I know there is some concern in Wales that the BARB figures do not represent necessarily the full viewing figures of S4C on linear television because, to put it in crude terms, there are not enough recorders in enough houses to fully reflect what the population may be watching in terms of S4C. I think that is an important point to make. Again, without wishing to kick the question down the road, I do think that it is a perfectly legitimate point to raise as part of the independent review how we do a proper analysis of who is watching S4C's content.

It is also very important to say, I think, that clearly Ms Saville Roberts challenges me on my devotion to S4C programming. It is a feature of the age of technology that thanks to Freesat I can get S4C at home in England. Obviously, as more and more people, particularly the younger generation, go online for their content—and we have just seen, for example, BBC Three now making the bold step to move entirely online—the opportunities to reach out to new audiences for S4C are very much there and also the ability potentially to analyse better who is accessing its content. I think that should be part of the independent review.

Alun Cairns: I would add, Mr Chairman, there are 500 homes in Wales with BARB measurement panels, 250 of which have at least one Welsh speaker, so it is quite a blunt assessment. I think we have to recognise as well that under the current model of broadcasting through digital terrestrial or through satellite viewing figures do matter, although there may well be other ways that we need to consider as well. Viewing figures are one measure; it is not the only measure necessarily, but I think it is something that we need to continue to keep an eye on.

Q373 Chris Davies: What steps are you taking to ensure any successor body to the BBC Trust will not hinder the operating agreement currently between the BBC Trust and S4C?

Mr Edward Vaizey: We are going to set out our proposals in the White Paper as to the governance of the BBC, but obviously we are very alive to the need for whichever new governance arrangements are proposed to reflect the needs of Wales, Scotland and the English regions.

Q374 Liz Saville Roberts: You have touched, interestingly, on the implication of digital platforms, also the comparison with public service broadcasting and network television as well, how we measure the figures even in that because some of those can be very small. One of the fruitful outcomes of the relationship between the BBC and S4C has been the digital developments, the platform the BBC has been able to provide alongside 10 hours of Welsh language broadcasting, which Rhodri Talfan Davies has mentioned to us. What is your opinion about those two aspects of the relationship between BBC and S4C?

Mr Edward Vaizey: Again, that was part of the debate when we wanted to move the funding to the BBC that, quite rightly, people in Wales were concerned about S4C's

independence. At the same time, I personally saw the opportunities that existed for S4C to have a closer working relationship with the BBC to benefit from advances in technology that perhaps it itself could not invest in on its own and some of that expertise. I certainly think the content sharing agreement they have with the BBC is also very helpful. Again, it is a hidden investment, if you like. When we talk about the headline figure of £80 million, I think off the top of my head the BBC content is worth about £20 million were it to be purchased independently. Again, I think that will be part of the independent review. I have not heard any noises from the BBC that they plan to change that current arrangement, but I certainly think the independent review can explore what further benefits S4C can gain from its relationship with the BBC.

Q375 Liz Saville Roberts: Could you tell us a little bit more about the independent review? For myself, I can say safely that I really welcome that happening.

Mr Edward Vaizey: I cannot tell you more except that in principle we are going to have one. It is going to happen after charter review is concluded. We have not appointed a lead chairperson for that review, nor have we decided on the membership. We would welcome views from this Committee on people who would be appropriate for that, but we do want the review to be independent, to be something that can look at S4C in the round. As I say, I am certainly approaching it on the basis that it will be an opportunity for S4C and it will not be a review that, as it were, carries with it a pre-programmed Government agenda. Maybe you know more about it than I do.

Alun Cairns: No.

Mr Edward Vaizey: He will now announce the chairperson.

Alun Cairns: No, I want to go back to what Ms Saville Roberts mentioned about the 10 hours of BBC provision to S4C weekly. The BBC would make a statement that it is worth £20 million. There are some people who question that, but this is the sort of thing that we can bottom out in a review because there are naturally different views that relate to it. It goes back to a long historical position as well going back to 1982 where there was 10 hours committed in order to help fill the airways at that time. I would have thought that the review could look at the value of those 10 hours.

Q376 Mr Mark Williams: Can we turn now to commercial radio regulation? A preoccupation of this Committee has been plurality of news and information. Could the Minister update us on the plans to relax the regulation of commercial radio stations and, in particular, the possible removal of what we have termed localness requirements, in other words the seven hours a day of local contact? I think it is really important and it is also important particularly from a Welsh language perspective in that some of the radio stations operate across Wales.

Mr Edward Vaizey: I asked Ofcom to look at radio regulation for a number of reasons. Digital radio has grown significantly, certainly in the five years that I have been the Minister responsible for the radio industry. With the growth of digital radio comes a huge growth in choice of channels. I also take the view that I trust the people who run radio stations and produce content for radio stations to know what their audiences want better

perhaps, say, than politicians. I wanted Ofcom to look at the current content regulation that exists around radio to see whether it was too restricted, particularly music formats, which can be very restricted now that you have a range of potential music stations on digital. Digital listening, in my view, will only grow and will continue to grow significantly.

Ofcom produced a report—I think it was at the end of last week—where they have looked at some of this. They have made some complex arguments, which I have not yet fully digested. For example, on the relaxation of music formats, that could cause a problem for existing FM national stations, but in principle they, I think, would like to see a relaxation. Certainly, they recognise the importance of local news and they are also looking obviously at the importance of local production. I think they made the explicit point, off the top of my head, that local production is really important if you are looking at places like Wales and Scotland in particular.

They have left some of the final decision making to Ministers to take forward, but I think the Ofcom consultation does start a debate about how we can potentially relax some of these regulations. As I say, the reason it has really come about is because of the growth of digital radio and, therefore, the growth of both national and local stations that you can now access on a digital platform.

Q377 Mr Mark Williams: There is a distinctive Welsh dimension to that report that you will be reflecting on in view of this Committee's discussions?

Mr Edward Vaizey: Yes, absolutely.

Q378 Chair: Thank you very much. I think we have dealt pretty much with charter review, so my final question is whether or not there is any scope to devolve responsibility for S4C to the Welsh Assembly. Perhaps Mr Cairns would like to go first on that.

Alun Cairns: There are no plans to pursue that. I think broadcasting is a reserved matter. The Silk Commission did not recommend that broadcasting should be devolved either, nor did the St David's Day Agreement come up with any recommendation along those lines as well. In credit to the Department for Culture, Media and Sport, there is a memorandum of understanding with the Welsh Government. I also say the role of the Assembly as well needs to be recognised. It is not just the Welsh Government. There are 60 Assembly Members whose views are equally relevant to that of the Welsh Government and we pay particular attention to the views of the Committee and the Assembly as well as the Government as an Administration.

Q379 Chair: Okay. Thank you very much. We did not detain you for long. Happily for us, we are about to discuss the report on the draft Bill, so I am afraid I am going to have to ask for the room to be cleared now. I would like to thank both of you very much indeed for coming down and for doing so at slightly shorter notice than you realised.

Mr Edward Vaizey: Thank you very much, Mr Chairman. I have very much enjoyed my session. I am sorry I spilt water all over the desk to begin with, but thank you for the courtesy of seeing us.

Chair: We look forward to seeing you or somebody from your Department at the Eisteddfod this year.

Mr Edward Vaizey: Since you ask so often, I think the entire Department will be coming.

Chair: Bring them up, the Cabinet as well, yes.