

Welsh Affairs Committee

[Oral evidence: Broadcasting in Wales follow-up: S4C funding, HC 981](#)

Monday 30 January 2017

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Members present: David T.C. Davies (Chair); Byron Davies; Chris Davies; Paul Flynn; Stephen Kinnock; Liz Saville Roberts; Craig Williams; Mr Mark Williams.

Questions 1-38

Witnesses

Huw Jones, Chair, S4C Authority, and Ian Jones, Chief Executive, S4C.

Examination of witnesses

Witnesses: Huw Jones and Ian Jones.

Q1 **Chair:** Could I begin by thanking Mr Jones and Mr Jones for attending today to give evidence on S4C's future? We can speak today in Welsh or English and the translators can translate into English. Thank you very much, both of you.

Byron Davies: Good afternoon. My first question to you gents is: have you had any indication yet? Can you help us with when we can expect the review announced by the Government last year?

Huw Jones: The information we have is as it has been for some time: that the review would begin when the work on the BBC charter had been completed. That work has been completed and, therefore, we expect that the work on the review will begin shortly. Discussions have been held concerning what could be in the remit of the review, but nothing concrete. As far as we know, the most recent information is what I believe this Committee received from the Minister, which is the intention for the review to begin before the end of this financial year.

Q2 **Byron Davies:** Okay. Would you say that this kind of uncertainty around the whole thing has impacted upon the business and perhaps your editorial planning as a channel?

Ian Jones: Can I start with a positive first? The fact that we have had certainty about 90% of our funding through the licence fee for four years is a huge positive on the one hand. On the other hand, if inflation is about 2% per annum over the next four or five years, it is a real terms cut of 10%. But when you are trying to execute a strategy or a business plan, it helps enormously that you have a view of 100% of your resource and funding. Therefore, although we know what we want to do over the next few years and have started executing that, it would help enormously if we could have clarity on the balance of our funding, the 8% that currently comes from DCMS as a grant. We are hoping that that clarity will come sooner rather than later.

Q3 **Liz Saville Roberts:** We assume that the nature and direction of the review will be influenced by whoever is appointed as chair of the review. Can you tell the Committee what type of qualifications or skills, experiences and background whoever is leading the review should have?

Huw Jones: We believe, and this is just our viewpoint of course, that the chair of the review should have an excellent understanding of the Welsh world culturally and linguistically. Ideally, the chair should be able to speak Welsh. This person should also have some knowledge about the media world or the ability to draw in expertise about the media arena to help them. Finally, I believe that this person should obviously have the experience and qualifications to draw up a fair and comprehensive review that deals with an institution that is very important in the modern life of Wales.



Q4 Liz Saville Roberts: I agree wholeheartedly that the fruit of the review should be the standard. Do you have any suggestions or feelings about how to ensure that the Government respect and implement the review's recommendations?

Huw Jones: One of the things we hope will come out of the review is recommendations about how S4C's finances should be determined in the future. I think that the timing means that perhaps we are looking at years beyond the current TV licence settlement. Since 2010, deleting the old Act, which ensured S4C's finances for several years, clearly created uncertainty and has meant that it is currently possible to discuss part of S4C's finances annually. That has happened, and there have been small cuts, as well as the big cut in 2010.

What we want more than anything is that the review takes an overview of what sort of service Wales and the Welsh language deserve, considering everything that is happening in the media, as well as everything that is happening in Wales—and beyond Wales—regarding the Welsh language, and then to marry that with the financial needs and how to secure that funding in a way that gives certainty over a period.

Q5 Chair: Do you have any idea who will lead on the review?

Huw Jones: Who is going to do the review? No.

Q6 Chair: Are the Government discussing it with you at all?

Huw Jones: I would not say we have had an official discussion. We were asked when we had a meeting with the Secretary of State if we had suggestions, so the opportunity has been presented to us to make suggestions, but I assume that is true for other people as well.

Ian Jones: Just to add to that, one thing we have been doing is having discussions with the Government about the terms of reference. That started a few weeks ago, since Christmas, and we continue to discuss this. We have given our suggestions in on the basis of the draft we received from DCMS.

Q7 Chris Davies: Welcome, gentlemen. Ian, you have just gone right into my question there, so thank you for pre-empting it. It was going to be: will there be any consultation with you on the content of the terms of reference? You have already said that that has started, so perhaps you could give us a little bit of the flavour of what you would like to see from those terms of reference.

Ian Jones: Can I go back a step before answering that, just to add to something that the Chairman has already said? There are two documents that frame this review. There is the Public Bodies Act 2011, which places a statutory duty on the shoulders of the Secretary of State to ensure sufficient finance for S4C, and then there is a letter in July 2015 from the then Chancellor, George Osborne, to Tony Hall, the Director General of the BBC. There is a paragraph in that letter that refers to S4C and a



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read-across to S4C financing: whatever the BBC gets, S4C should have the equivalent. But at the end of that paragraph, there is a line that says it is up to the Government to make up any shortfall. That to me suggests that to ensure sufficient finance or to determine what finance is sufficient and to make up any shortfall, you have to determine what that shortfall is, if there is a shortfall.

Therefore, the starting point for me in any terms of reference is to revisit the remit for the institution. Is the remit fit for purpose for today? It was drafted originally in 1981-82. It has been amended over the years, but is it really fit for purpose for the future? That needs to be looked at as a part of the terms of reference.

Huw has mentioned the financing and the sufficient financing in terms of the Public Bodies Act. We are hoping that, as Huw mentioned, the basic needs and wants of the audience is taken into account. If you can establish what the needs and wants of the audience are, you can establish what is sufficient to deliver those needs and wants and you can incorporate that in a remit. We are hoping that those three elements will be the key elements in the remit.

Q8 Chris Davies: Okay. I understand your answer. You have answered my question. I understand that you will, sadly, be retiring at some point, perhaps after the review has all been sorted out.

Ian Jones: I hope it won't be retiring but—

Chris Davies: Well, from S4C. I am sure there is a great, illustrious career in other ways to follow.

Ian Jones: Thank you very much indeed, I second that.

Chris Davies: You are going to be a little bit freer to comment then. Do you think this process is the right process that we are going through now and should it be the process that we annually or biennially or whatever go through regarding the funding of S4C?

Ian Jones: I think it is the right process. It is long overdue. The last review of S4C I believe was around 2003. I think every organisation such as S4C should be reviewed now and again. Thirteen or 14 years is too long in between reviews. It should be reviewed every 10 or 11 years.

The key behind that is that over the past five years since I have been in the role there have been cuts after cuts after cuts. We have just been positive about it. We have worked with what we have been given, but those cuts cannot continue like that. You cannot continually salami slice any organisation and ensure that it delivers in accordance with its remit. The advantage of this review and the advantage of this process, which we see as positive, is that hopefully it will set out the remit for the next four, five and 10 years.

Q9 Craig Williams: Messrs Jones and Jones, a pleasure to have you talking



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on this topic again in front of the Committee. You have very well framed who and what. Given your understanding of S4C, the need for the review and your experience of reading and looking at the past ones, how long do you think it should take to get to the depth and some meaningful conclusions?

Huw Jones: I think something between four and six months would be sufficient. It depends what resources are available to the reviewer, but I certainly hope that it would not drag on for a long time. At the same time, it is important that the public and all interested parties are able to express their views and that there is a fair opportunity period to look in some detail at some aspects and draw conclusions. I hope it would not take more than six months from beginning to end.

- Q10 **Paul Flynn:** I am one of the old lags on this subject—I was a member in the 1970s of Cyngor Darlledu Cymru, the Welsh broadcasting authority, and S4C is much better than what we were hoping for at that time. No one in the 1970s imagined such programmes and programmes of such quality, and I think that our nation owes a debt to you as people who have created something that is as successful as S4C. I would like to ask Mr Ian Jones: you do not like the word “retiring”, but you are leaving the post to go on to something better, I believe, when the review is completed. Do you believe that it will finish before next week?

Ian Jones: The review? We have flexibility. I have come to an agreement with the chair of the authority to be available during the period of the review, whenever that period will be. I hope that the review will be completed this year and I will be around to contribute to that. So, there is flexibility. I aim at the moment to leave in the autumn, but there is flexibility that I could stay until the end of the year if necessary. Personally, I think—and this is a personal view—I have to stay until the end of the review, until the conclusions have been presented, and then perhaps to pass the baton on to someone else.

- Q11 **Paul Flynn:** On the baton that will go to someone else, what do you think the challenges and the opportunities are for the next person?

Ian Jones: Regarding that question, I would like to present some context, and perhaps I will be back and forth between Welsh and English here. Going back to the beginning of S4C, when S4C launched, there were four television channels and S4C was the fourth channel launched. If you think how much things have changed since then, there are now hundreds of channels, huge competition for viewers. The second thing that has happened is that there has been audience migration—and this affects all broadcasters not just S4C—from watching the main channels to watching other services online. Those are two huge impacts for us as well as other channels.

How the BBC has been able to deal with this is that 12 years or so ago, it had about eight services. Channel 4 at the same time had one service. The BBC now has 25 services; Channel 4 has about 15 services. What



they have all done, quite rightly, is, as they have seen the audience migrating and going to other platforms, they have launched services to target parts of that audience. When you look at it as a whole, their audiences have not really dropped that much because they are catering for different audiences on different platforms. We have not been able to do that and that is simply a matter of resource and money.

In future, the chief executive will have to make his or her own decision, but my view is that S4C has to be ubiquitous. It has to be across as many platforms as possible and has to be available anytime, anyplace, anywhere, and that costs. We need to ensure that, if we cannot afford to do that, S4C does not become a second-class service when compared with our other public service competitors. That is my concern and I think it will be a big challenge for the new chief executive to get S4C across as many platforms as possible and to find the finance to enable them to do that. Do I think there is enough finance and resource to do that now? Honest answer: no.

Q12 Paul Flynn: Do you believe that it would be an improvement if policies about broadcasting in Wales were decided by the Assembly in Cardiff, rather than the current system?

Huw Jones: Broadcasting policies? We have been quite neutral on where the accountability for broadcasting should be, but I think our duty should be to direct the debate to where the funding comes from. The basic thing to point out to anyone who is looking at this question is that the responsibility for broadcasting also includes a responsibility for funding broadcasting. It is on our minds constantly that the Government create an independent authority to oversee the work of the channel so that the Government, whether in London or Cardiff, do not interfere directly with the day-to-day work of the broadcaster, as is appropriate. The responsibility for ensuring where the funding comes from has to lie somewhere and currently it is on the shoulders of the Secretary of State in London.

Q13 Paul Flynn: You do not want to change something that works well?

Huw Jones: Personally, I would have to be convinced that the financial situation was more certain and more sustainable than it is under a system whereby it is currently funded as part of a broadcasting pattern across the UK.

Q14 Liz Saville Roberts: What you are saying, Huw Jones, about the funding is interesting because it does suggest that perhaps there is room to improve stability. The question I have is: we have new Ministers in this place here now, responsible for broadcasting and the 8% funding for S4C. To what extent do you feel that there is an understanding of the unique situation and the unique role of S4C in Wales among Ministers here?

Huw Jones: There are Ministers in the Department for Culture, Media and Sport and there are Ministers in the Wales Office, which is also part of the Government, and there is a constructive relationship of co-



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operation between those Departments. We get certainly get a hearing from Ministers and Secretaries of State.

The only thing I would say is that every time there is a new Secretary of State, there is work presenting the history and the reasoning for the existence of S4C from the start. We are happy to do that and we get a hearing, but that is a fact. I am speaking as a former chief executive and I think that, over the years, in both posts I have dealt with more than 20 Secretaries of State and Ministers, and the same is true every time, but the comfort I take from it is that it is possible. The argument for the existence of S4C is fundamentally strong and it continues to be strong as part of the broadcasting pattern of the UK and as part of the fabric of Welsh cultural life. While people are willing to listen, we are willing to present those arguments.

Q15 Liz Saville Roberts: Would not Ministers in the Assembly be closer to an understanding of S4C and accountable because they are closer geographically and culturally?

Huw Jones: I do welcome the fact that appointments to the S4C Authority are now done through a formal consultation with the Welsh Government. Therefore, it is possible for the Welsh Government to give views about the constitution of the authority, given that the authority is the body that oversees the service.

I also think that constructive work goes on at a practical level and at consultation level with Welsh Government Ministers about what S4C and the channel can contribute to their policies, especially their language development policies, education and so on. We are careful that we follow our remit, and that is a broadcasting remit, but we can do a lot and we are glad of the support we have been given by Ministers and cross-party by the Welsh Government and that will continue and strengthen, I am sure.

Ian Jones: Even though there is no formal accountability, we discuss things constantly with officers and Ministers voluntarily. We have been doing so throughout the years.

Q16 Liz Saville Roberts: One other question—and I am grateful to the Chair for this—regarding the financial situation and the current position. Do you think that this Government's strategy of leaving the EU could affect S4C in the short term and to the future?

Chair: I am not sure if that question concerns what we are looking at.

Huw Jones: Like every organisation, we will look at what happens following losing some financial sources that currently come from Europe, but we hope that new funding sources will replace them. How Brexit will affect broadcasting generally and the creative world in Britain is a large question, and I do not think basically that the way it impacts on S4C will be fundamentally different from to how it will affect broadcasting generally, but perhaps some people would disagree.



Q17 Chair: I am sure it is going to create a lot of opportunities in the future. I want to ask about the greatest challenge for the new chief executive. I think the greatest challenge for S4C may be to do with ensuring that it appears on different platforms across the world, and maybe for the financial situation, although you worry about future financing—I understand that—the new structure could be better, as you said in your evidence, than the structure before the changes. But what is the greatest challenge for the future?

Ian Jones: As I said, the greatest challenge for the new chief executive is to make sure that S4C content is available for the audience wherever it is, and that the audience can use and look at that content when and where they want. To me, that means making sure that the content is available on as many platforms as possible.

That is a difficult task. We cannot at the moment afford to launch S4C2, S4C3, S4C4 for different demographics. We cannot afford to launch a channel for children such as CBeebies, so we have to be clever and we have to find different ways of doing things. At the moment, we have a channel on YouTube. During the last year, we have had great success with short-form content: from no one watching more than a year ago to, through using the new platform Grabyo, more than 2 million a month watching. Online, some 18 months ago, 5.7 million people watched S4C content online, now the figure is over 8 million. It is almost 8.7 million, but that must continue.

Let me raise one thing that is fundamental to all this: public service prominence. At the moment, the public broadcasters have prominence on the electronic programme guide, and S4C is in position 4 on that guide. What will happen if the EPG becomes less important? For those of you with Samsung TVs, you have apps coming up. S4C is not there. Therefore, that is important for any television or platform in future: if there is no EPG, we must have public service prominence for us, for the BBC and Channel 4.

Q18 Chair: Is the app Clic available on Samsung TVs?

Ian Jones: We are working with an external company to produce an app, to finance an app, which will go on Samsung. That is happening at the moment.

Q19 Chair: I can imagine a future where S4C, the BBC or anybody does not have to broadcast things through TV signals, because if you could put everything online, with today's TVs, it is possible to watch everything online and get stuff from the internet rather than through signals.

Ian Jones: Maybe in the distant future that will happen, but at the moment if S4C was completely online, we would lose 60% to 65% of our audience straight away. We have to ride two horses. We cannot forget the main service. We have to ride two horses but make sure that we are targeting different demographics, maybe younger demographics, on different services, and that is the challenge.



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Chair: Many people who watch S4C live in areas where it is not easy to get an internet signal anyway for fast broadband.

Ian Jones: Yes, that is true.

Q20 Mr Mark Williams: First, it was good to hear what you were saying about the need for the breadth of the review. I think there was an inevitability, wasn't there, when we reflect back to the Public Bodies Bill and that phrase, "the Secretary of State to ensure sufficient funding", that there was always going to be the question: whose definition of sufficiency? That is why, I guess, the review is so important and you have said that that review looks at funding—notwithstanding what you said about the 90% of funding from the BBC—in the context of the need. We have not talked much about the wider creative industries across Wales and their needs, too.

My question, notwithstanding the support for the 90% of funding from the BBC, is about the other bit, the critical other bit. You will be aware that we had a debate in Westminster Hall last week. Following on from what Liz Saville Roberts was saying about new ministerial teams, the new Minister—Mr Ed Vaizey has commented on these matters for a long time—Mr Matt Hancock, said in his first debate that in this financial year DCMS funding will be £6.762 million but will be reduced to £6.058 million next year. Usefully, Mr Simon Hart, one of our colleagues, reminded us that the Government had written to him and said that funding would remain around £6 million but did not tell us the fact that that is a £750,000 shortfall. Was it a surprise to you that the Minister was quite clear about those figures last week, not least in the context of the review, when we had a frozen position announced last year? What will the impact of that be? This Committee had a very successful visit to your headquarters, and I think it struck—I do not think I do anyone disservice, Mr Chairman—all of us who went there the extent to which you run an incredibly lean operation. We heard the phrase "salami slicing" earlier. The question is: what else is there to cut and what is the impact if DCMS reduces funding to what has been suggested?

Huw Jones: My reading of what the Minister said last week was that it was possible to interpret it in two ways. Did he not say that it would be between £6 million and £7 million or something to that effect? I do not think he actually spelt out figures. My understanding is that this all goes back to the comprehensive spending review of November 2015, when a further cut was announced to S4C's funding from the DCMS. The figures for the subsequent four years, starting in 2016-17, were that it would start at £6.7 million and that a cut of £350,000 per year would be applied to bring it down to £5.something million.

As a result of the activities and the support of Members of this House in particular, the Government then announced that they agreed to the principle of conducting a review and that while the review took place, I think it was the understanding that there would be a freeze of the funding. As a result of that, the funding for 2016-17 was indeed frozen at



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£6.7 million, but the funding letter that we received at the time continued to indicate that the cuts originally envisaged in November 2015 would apply in 2017-18, 2018-19 and 2019-20, ie that the £6.7 million would go down to £6 million and the £6 million would go down to £5.65 million, and so on.

Subsequently, we raised the question, and Members of this House raised it as well: wasn't an assurance given that the funding from DCMS would be frozen during the course of the review? My understanding is that that is still under discussion and that we have not yet heard what the situation will be in 2017-18. The fact is that the review is now not likely to take place until the financial year 2017-18, which is different probably from what was envisaged when the original commitment was made. There is slippage there and the possibility is that that funding has not been provided for. The principle is a strong one and maybe the principle has been recognised but the money has not yet been found. We look forward to understanding what the outcome of that will be.

To answer your question what would be the effect, you have several stages of effect there, don't you? You have the possibility of our losing £700,000 in 2017-18 as compared with what we have had in 2016-17. Ian will tell you some of the things that might happen then. There is also the possibility that the further cuts in the subsequent two years would still apply. They would have a further salami-slicing effect. What it all comes down to is that there is this fundamental need to look at the picture holistically. What are the needs? How much funding is required? How can we provide for that with security rather than getting to this argument every year?

Q21 Mr Mark Williams: I think that is right. That is why I prefaced my question by saying that it is very important that the review is based on the need of S4C and the industry more generally. You said discussions were ongoing on the terms of the funding—the DCMS share. How intense are those discussions?

Huw Jones: I am not privy to the intensity of the discussions internally, but we are certainly given to understand that the matter is still under consideration.

Q22 Mr Mark Williams: Thank you, and the salami issue?

Ian Jones: I will deal with the second part of your question. You are right, we are efficient. Our cost per hour has come down by 35% over five years. Our overheads now are at 4% compared with a public service average of 11%. We made a decision four or five years ago that whatever happened we were going to protect what we had on screen and the number of hours, and we have done that. But that has meant that our repeat programmes have gone up to around 57%, whereas I think the BBC's average repeat is about 5%. When S4C started, we were targeting 20%, so the repeats are really high as well.



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Although £700,000 is a tiny amount of money in the context of Westminster, absolutely tiny, it is substantial for us. The things that we would have to revisit are the service. We have cut virtually everything else to the bone and we will have to look at the service for cuts if we have any future cuts or this is not frozen. To give you an example of the things that we would have to look at, I have mentioned repeats; it is at 57%. We will have to look at that. The one thing I have been determined to do in the last five years is to be inclusive. If you cannot speak Welsh, you should be able to access the content of S4C. The inclusivity comes through in that we subtitle about 79% of our programming and we will have to look at reducing that. Finally, something I do not want to do, but it is something that I am going to have to look at, is the high definition service. We relaunched it in the middle of last year for the Euros, but it is another area of the service, if we want to protect the hours, that we are going to have to look at if there is another cut.

Q23 Mr Mark Williams: Turning to the independent sector, you alluded, Mr Jones, to the impact on the independent sector of this long period of cuts. Can you reiterate the impact on the independent sector throughout the country as a whole?

Ian Jones: There has been a huge impact, but what we have done by working with the independent sector—and we could not have achieved this without them and the staff internally—is contain things. Back in 2012-13, we agreed long-term stability agreements with the sector. The reason for that was that if you know you are going to order and buy something in 18 months or two years, subject to performance, why not buy it now? If you buy it now, you can buy it at a better price than you can in future. Working with the independent sector has enabled us to stabilise the industry over a three-year or four-year period. But the cost per hour, which is the cost that we pay for programmes, has come down by 35% and the sector has had to think on its feet and has had to deal with that.

Q24 Chair: Mr Jones, why do you want the power to borrow money from banks and other places and who will guarantee that you will be able to pay back the money you borrow?

Ian Jones: Let me explain because there is a misunderstanding about all this. Until the Communications Act of 2003, S4C had borrowing powers for 25 years. Section 207 of the 2003 Act says that the Welsh authority is not to borrow money except with the approval of the Secretary of State and the consent of Treasury. The reason we want to borrow, just like any other body, business or individual, is that sometimes you have to pay bills in advance, and if you do not have an overdraft, you cannot pay the bill. Bodies have to buy in resources, capital equipment and so on in advance. In the past, we had sufficient funds to pay for capital equipment out of that funding, to pay for the peaks and troughs of cash flow. But with the cuts over the years, the money is not there, so if we want to pay for something in advance, the only way we can do that is to borrow.



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Q25 Chair: What about an overdraft? Would you just want to deal with peaks and troughs? An overdraft would be better than borrowing.

Ian Jones: We cannot get an overdraft. We do not have the right to borrow money unless we go to the Secretary of State. I wrote to the Secretary of State in January 2014 and have been writing about this for three years. We have not been given any permission to borrow and things are getting very tight because of that and in terms of buying capital equipment in the future, co-locating with the BBC, paying for anything in advance. All we are asking for is the right to borrow. The BBC has the right to borrow £400 million a year; Channel 4 has the right to borrow. Before the 2003 Act, we had the right to borrow money. We are not asking for more money, we are asking for the right to borrow money to help with cash flow and peaks and troughs.

Huw Jones: It is important to note that we are asking for up to a particular ceiling, not a limitless right, to borrow money for a particular purpose over a specific period to meet a particular funding profile.

Q26 Craig Williams: Could I ask you to touch on the relationship with the BBC and, since the Trust has a new status, perhaps comment on that and S4C's independence?

Huw Jones: Yes, thank you. With the fact that the BBC Trust is coming to an end, our current relationship with the BBC has to change because the body that we have a formal relationship with in respect of funding will no longer exist. Discussions are taking place about a new agreement, operating agreement or whatever it may be called, which I think both organisations anticipate will be somewhat different from the current one in that it will be essentially one that provides financial assurances to the BBC that the money that comes from the licence fee through the BBC will be used for the purposes for which it is intended. That is an entirely legitimate function that we are happy to carry out. In a way, maybe we anticipate that it will be more of a contract than the type of agreement that we have at the moment.

There is a general agreement as well that because of the principle of S4C's independence, which is now clearly recognised in the framework agreement between Government and the BBC in the context of the charter, it is no longer appropriate, or indeed desirable, from a BBC point of view, I think it is fair to say, that there should be a member of the BBC board on the S4C board or authority. The chances are that we will need to set up some new protocols whereby there are avenues for discussions, that we have dialogue as to what works and what does not work, and we still anticipate that we will have on the ground a strong partnership at executive level to make sure that the viewers in Wales are getting the best possible results out of the partnership that already exists.

Of course, another important element of that partnership is the statutory 10 hours per week that BBC Wales provides for S4C, which is indeed



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enormously important and which is due to be renewed in this new financial year.

- Q27 **Craig Williams:** In terms of how we understand the ongoing relationship, you are very comfortable with your independence now that has been set clearly, and any governance arrangements we see changing are more protocols, day-to-day arrangements, than any serious governance issues?

Huw Jones: That would be my anticipation, and certainly from what we see of the initial discussions, they are being conducted in that spirit.

- Q28 **Chris Davies:** I think the chief executive mentioned earlier the reintroduction of HD services. I understand you ran them for two years and you cut them in 2012. You mentioned that the salami slicing has been getting worse and worse and worse, yet you managed to reintroduce them in 2016. How did that come about?

Ian Jones: Ironically, perhaps, given the fact that we were advised that our funding would be frozen until after the review, I took a calculated gamble to spend the money that was released by that on going back on HD. I don't think I had a choice. If we are a national broadcaster and we are supposed to record not only the collective memory of a nation but what is happening in real time, how could we not go back on HD and not show the Euros on HD? We had to, otherwise we would have been providing, in my view, a second-class service. I took a calculated risk. The financing for the first year of HD has come from that first-year freeze. I have to find the financing if we are going to continue on HD in future.

- Q29 **Chris Davies:** Was that a calculated risk that had the full backing of the chair and the board? Are you deeming it to be a success?

Huw Jones: Yes, we certainly supported it, with many representations from viewers to the effect that HD was becoming increasingly the norm. The HD that we have gone back on is satellite rather than terrestrial. We think that was the right approach to take because those watching sport are maybe more likely to be satisfied viewers than terrestrial only. We are not on all platforms HD at the moment, but we are on a very important satellite platform. Yes, the authority supported it and I think the audience appreciated it, particularly, as Ian said, in the year that Wales did so well at the Euros.

- Q30 **Chris Davies:** Do you have any further plans on the digital content?

Ian Jones: On HD specifically?

Chris Davies: To develop it, yes.

Ian Jones: HD is a form of broadcasting, so if I can find the finance, we will continue to broadcast in HD and have a HD channel. On some of the online services, we are also hoping that those will continue to be broadcast in HD.



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Huw Jones: Everything is currently being recorded in HD. Our capture is in HD as it is.

Q31 **Chris Davies:** It has already been cut once. Do you see if the funding does not come in the next few years that that is going to be the first cut that your successor may have to make if you cannot put it all together?

Ian Jones: To be fair to whoever my successor is, they will make their own decisions. If it was my choice, I would not cut back HD. I would find a way of financing and keeping it there. Otherwise, take the Six Nations rugby tournament—if everybody else is broadcasting in HD and we are not, guess where everybody is going to watch. I do not think we can afford to cut it back any more.

Q32 **Craig Williams:** Just bringing a couple of the strands together, we talked about borrowing, we talked about the fact that you need to invest in capital, and we talked about the digital content and the way forward and the changing way broadcasters are engaging with their viewers. I am wondering, in terms of HD and the digital movement with our smart TVs, where you envisage going next and tying this together, so continuing HD, engaging with the new smart technology. This is presumably all tied together: if you do not get the borrowing, if you cannot put the capital in. We need some kind of review, don't we?

Ian Jones: You answered the question yourself. I do not think that S4C has any choice. As I have said earlier, we have to be ubiquitous. We have to be on as many platforms as possible in future. Otherwise, as a public service broadcaster, we are going to cut out a part of the audience. Most of the 16 to 35-year-olds will watch outside the main service online. We have to cater for them as a public service broadcaster and that means for me that we have to be on as many platforms as possible in future.

Huw Jones: A key thing also to remember is for a small broadcaster the cost of any individual platform is proportionately greater than it is for a large broadcaster because the entry cost to go on any platform is a figure, and that figure is then a proportion of your total spend.

Q33 **Craig Williams:** That relationship with the BBC is more important than ever?

Huw Jones: Certainly, iPlayer is something that we are very glad to have been on and it has been a great help to us, yes.

Ian Jones: It has been a huge success. I would go further than that. The programmes that now are on the iPlayer have increased from about 10,000 a month viewings to well in excess of 400,000 a month viewings, so that speaks for itself.

Q34 **Paul Flynn:** There was a debate in the Assembly about the decision to move the headquarters from Cardiff to Carmarthen. It was said that there was an application by the people from the university for £6 million of public funding for help to fund this. Did you know about the intention to



ask for public funding before deciding about Carmarthen? One of the north Wales Members of the Assembly stated that perhaps it was time to rethink the decision and locate the headquarters in Gwynedd.

Huw Jones: The first thing to point out and to underline is that it is an application made by the university, that S4C is a tenant on the new site and a tenant that will take around one-third of the total surface. That is the nature of the relationship. To answer your question, yes, we were aware that the university was going to apply for a grant or grants as a part of the process, but at the time we had asked and had received assurances from the university that if there weren't grants forthcoming, they would still ensure that funding would be available. On the basis of that understanding, that firm commitment, we have gone forward and we have been in correspondence very recently with the university on this and that assurance remains.

On the question of whether there should be grants for fulfilling the aims of a public service to distribute jobs around Wales, I would contend that that is a valid argument and it is therefore important that the Welsh Government take all possible steps to ensure that the due diligence is implemented. But at the end of the day, the opportunity to devolve jobs in an exciting industry such as television outside of where they tend to be at the moment, which is in the capital, is unique. We are looking forward to hearing that the scheme will have the support of the Welsh Government and possibly also the UK Government.

Q35 **Paul Flynn:** Things that were not acceptable, programmes with subtitles, are acceptable now. I see the success of programmes such as "The Bridge" from Denmark and so on, and people now believe it is possible to enjoy programmes in languages that they do not speak. Does that provide an opportunity for S4C for the future in countries that speak other languages?

Huw Jones: Certainly, I think the general willingness to accept that television in various languages with subtitles can be just as good as English television is a principle that is seen around the world. European countries are a part of that. We are very happy to be selling to Europe. Individual countries make individual decisions concerning whether they take the Welsh version or the English version of programmes such as "Y Gwyll", or whether they take a mixture of both. I do think that creating quality television in your own language is a wonderful way of taking a positive picture of the country, the culture and a language that is flourishing and has a future. It is an important element of S4C's work.

Q36 **Mr Mark Williams:** It was good to hear you talking about the devolution of jobs but also your move not just involving existing jobs relocating but creating new jobs in the spirit of the creative cluster initiative, which is why there is a huge amount of excitement in Carmarthenshire and more generally in west Wales at this opportunity. Notwithstanding what you said about being a tenant of the university, have you any indication of a timetable for finalising these decisions? Is there not the risk that that



could impact on your intention to relocate next year?

Huw Jones: Our understanding is that the plan is still on track for delivery sometime towards the end of spring, early summer, next year. We have had that assurance from the university during the last few days. Clearly, we will keep an eye on it, but we hope that the final decision about where the funding is coming from will be made so that the project can get underway.

Ian Jones: Can I add to that, because I think it is certainly important for the staff internally at S4C? It is not a matter of switching the lights off in one building and switching them on the next day in the new building. It will happen over a period, but it won't happen until probably after Easter next year. That is really important.

Q37 **Craig Williams:** I am delighted to hear the lights will not be going off in Cardiff immediately. I was really interested in your answer to Paul. I have been following this story. I know that people are conflating the issue between S4C and the developer, the university, and I can understand your frustration with aspects of that. In terms of the due diligence of your decision to move there and the reassurance that, regardless of a grant, it will happen, surely the Welsh Government should be scratching their heads going, "If this is going to happen anyway, why are they applying for a grant and why should I give the grant if this would happen anyway?"

Huw Jones: I think if the Welsh Government are serious about wanting to see jobs being spread around the country a bit, it is very rare that it will get an opportunity to express that support in the form of a plan that already has a major anchor tenant involved. It is not a speculative plan, but one that can achieve its most productive outcomes if it gets full support from all possible financial sources.

That is why we are very supportive of the application that Carmarthen has made for funding support, but I think we have done our job in ensuring that when—we needed to make a decision at a certain point in time because there was a crossroads of decisions that needed to be made. One of them was whether we were going to share our technical facilities with the BBC's new premises in Cardiff, for example. The whole thing—it was not possible to postpone one and get on with the other and so forth. We needed to make decisions and we then needed that reassurance that, come what may, this will happen. I think it is legitimate for any organisation—a private organisation that might be in the position of being able to find funding from many sources could still legitimately make applications to Government sources that have indicated that these are publicly sound objectives.

Q38 **Craig Williams:** No, I get that but I am just trying to understand the position and the timescale. In terms of your due diligence that you were talking about, you have been completely reassured and you are reassured that, regardless of what happens, these buildings will get built



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and you will be able to move into your new headquarters?

Huw Jones: That is our understanding.

Chair: Okay. Unless there are any other questions, we will draw things to an end. Thank you very much. I would like to thank the translators. I hope you have other opportunities to attend soon. Thank you very much, Mr Jones and Mr Jones, and good luck for the future.