

Written evidence submitted by S4C

Summary:

- In a rapidly evolving media landscape, there remains a vital role for S4C in bringing bold Welsh content to Wales, reflecting Wales in all its diversity, and allowing the Welsh language and our culture to thrive and be heard in Wales, the UK, and around the world.
- Because of S4C's unique remit and its significance for the Welsh language, its role and funding method need to be guaranteed beyond the current settlement. The way in which S4C is funded from 2028 will affect how well it can serve its audiences, how well it is able to respond to challenges, and the cultural, linguistic, economic and social impact it is able to have in Wales. For these reasons, S4C requires an appropriate funding model that ensures sufficient, predictable and sustainable levels of funding for the future.
- S4C must be easily discoverable and accessible in the digital world in order for us to share our Welsh-language programmes with as wide an audience as possible. Along with other public service broadcasters, we have called for legislation to guarantee availability and prominence on digital platforms. We are pleased to see these related proposals in the Government's Broadcasting White Paper and they are urgently required for us to keep up with ongoing developments to ensure we reach our target audience and help guarantee the vibrancy of the Welsh language for future generations.
- The provision of free-to-air sports is one of the cornerstones of S4C's unique public purpose and it plays a vital role in promoting the Welsh language. The Welsh language needs to be better reflected in the Listed Events framework, and making S4C an eligible broadcaster in its own right will help us to continue to provide a popular platform for the Welsh language.

About S4C

S4C is the national broadcaster of Wales. Reaching over 600,000 viewers a week, its Welsh-language content can be viewed on linear television, through its player S4C Clic, the BBC iPlayer, and on social media across the UK. Since it first broadcast in November 1982, S4C has grown from a single, part-time linear television channel to a multiplatform service that offers over 115 hours of content a week – over 6,500 hours a year – across all genres including news, drama, sport, children's programmes, entertainment, music, documentaries and current affairs.

More than 50 independent companies produce most of S4C's programmes. We also commission programmes from ITV Cymru Wales, and BBC Cymru Wales currently produces a minimum of 520 hours a year for S4C under a long-standing statutory provision. The range of programmes within the BBC's statutory provision, including Pobol y Cwm, news and some sport coverage, is an integral part of S4C's daily schedule and comprises over 9% of S4C's total hours of programmes transmitted each year¹.

At the heart of S4C's unique public purpose is its vital role in securing the future of the Welsh language. It reflects cotemporary Wales through its programming across all genres and on a range of digital platforms. The Welsh language belongs to us all, and supporting Welsh speakers – wherever they are on their language journey – is a focal point for all of S4C's provision. One of S4C's priorities is to work with partners and play an important part in the growth and prominence of the language as we work towards the Welsh Government's

¹ [S4C Annual Report and Accounts 2021-22](#)

Cymraeg 2050 targets² to reach a million Welsh speakers and double the daily use of the language.

Yet, S4C's contribution runs deeper than language alone. Inspiring and nurturing new talent has become a hallmark of S4C's role in national life, and it is working with leaders in education and civil society to expand the impact its role can have within communities and for skills' development. Through partnerships with TAC, ITV Cymru, BBC Cymru and Channel 4, Creative Wales, Culture Connect Wales, Theatr Genedlaethol Cymru, and more, S4C provides training and development opportunities for new talent in the film and television industry in Wales.

Through commissioning most of its content from independent companies based in Wales, S4C generates expenditure and income for creative industries businesses, staff and freelancers in Wales and beyond. For every £1 of income, S4C generates an economic impact of £2.03 in the UK economy, £1.45 of which is generated in Wales³. Moreover, S4C's expenditure supports an estimated 2,229 jobs in Wales, including a number of jobs within relatively socioeconomically-deprived areas in rural north and west Wales.

The audience is central to every decision we make. Over the years, S4C has cultivated a loyal viewership and now we aim to reach into new households and to serve the next generation of viewers with priority content across sport, drama, and children's services. Viewing habits are changing, but Welsh-language public service media remains as important as ever. S4C's role in this landscape is to bring bold Welsh content to Wales, to reflect Wales in all its diversity, allowing the Welsh language and our culture to thrive and be heard in Wales, the UK, and around the world.

Are the current models of funding for public service broadcasting in Wales sustainable to ensure the future of a successful and dynamic broadcasting industry in Wales?

Because of S4C's unique remit and its significance for the Welsh language, its role needs to be guaranteed beyond March 2028, when the current funding settlement comes to an end. The value of S4C as a public service broadcaster has always amounted to more than just a television channel. The way in which S4C is funded from 2028 will affect how well it can serve its audiences, how well it is able to respond to challenges, and the cultural, linguistic, economic and social impact it is able to have in Wales. For these reasons, S4C requires an appropriate funding model that ensures sufficient, predictable and sustainable levels of funding for the future.

The Secretary of State for DCMS has a statutory duty to ensure that S4C receives *sufficient* funding to enable it to fulfil its remit and provide its public services. This duty is laid out under section 61 of the Broadcasting Act 1990 (as amended by the Public Bodies Act 2011).

S4C has been funded through various formulae since 1982, including a percentage of the advertising revenue of the ITV companies throughout the UK in the early days, full funding through a grant-in-aid from the Home Office and eventually DCMS, and more recently a mixture of funding from DCMS and the licence fee.

Despite changes to the funding source and mechanism over the past forty years, the statutory provisions have always outlined the financial requirement to enable S4C to provide a high-quality Welsh-language service.

² [Welsh Government, Cymraeg 2050: A million Welsh speakers, 2017](#)

³ [Assessing the economic impact of S4C in Wales and the UK. A report by Arad research, Mar 2021](#)

Since April 2022, all of S4C's public funding (£88.85m p.a.) comes from the licence fee. In addition, commercial income, including from advertising, generates a small percentage of S4C's turnover. The 2022-28 licence fee settlement, which includes additional funding of £7.5m p.a. to be spent specifically on improving S4C's digital offering, reflects the Secretary of State's confidence in S4C's vision for the next few years. The funding levels and remit of S4C had not been updated in recent years like other public service broadcasters, meaning it lagged behind. However, S4C's digital evolution is progressing quickly now. Over the next five years, S4C's focus will be on developing its online services, reaching and serving new audiences, and playing a more prominent role in supporting the Welsh Government's Cymraeg 2050 goals.

S4C's various funding formulae have each come with their benefits and drawbacks. The current funding method followed the recommendations of an independent review of S4C in 2018⁴. That review recommended that aligning S4C's funding decisions with the BBC's licence fee funding settlement, and replacing the grant-in-aid, would provide S4C with the same funding stability and certainty as the BBC, giving it the freedom to make the creative and commercial choices it requires to thrive. Crucially, temporally aligning S4C's funding decisions with the licence fee agreement has not precluded the Secretary of State from considering the unique position and specific circumstances of S4C when making these decisions.

The current funding model certainly allows S4C to plan for the medium term and to provide a consistent high-quality service over the next few years. However, digital media and global broadcasting markets continue to evolve apace. Funding security beyond March 2028 would further allow S4C to provide longer-term commitments to its digital and online services, to quality programming across all core genres, and to supporting the creative industries in Wales in a more sustained and far-sighted manner than would otherwise be possible in the later years of the current settlement period.

Longer-term funding stability would enable us, for example, to:

- Maintain a steady pipeline of film and drama commissions. These can have a lead-in time of 2 years or more from development to public release, or even longer where multiple funding sources are involved.
- Negotiate with potential content partners domestically and internationally.
- Award multi-year commissions to our producers for successful returning series. This provides significant benefits in terms of training and development opportunities, as well as scope for savings in production resources as multi-year deals can deliver greater efficiencies.
- Continue investing in our video-on-demand player and the platforms where it is available, ensuring that we are always able to adapt to evolving consumer habits.

S4C has a commercial remit and intent to supplement its public income. Whilst S4C has always sold advertising and sponsorship opportunities on the channel, commercial income only accounts for approximately 2% of S4C's total income.

It should be noted that S4C is, by its existence, an intervention because of market failure. It offers a valuable service to Welsh speakers – free-to-air, Welsh-language public service content – that would not be provided otherwise by the commercial market. To consider a full subscription-based model, for example, would require S4C to convert every single Welsh-speaker in Wales – 562,000 at the last census – into subscribers. For this reason, it is difficult to see how S4C could become a commercial proposition – not in a way that would allow S4C, and Welsh-language content, to continue to thrive and reach the widest audience possible across a range of contemporary platforms.

⁴ [Building and S4C for the Future: An Independent Review of S4C, 2018](#)

DCMS has announced an independent review of the licence fee before the next BBC Charter renewal. Whilst the expectation is that this review will focus on how the BBC's services ought to be funded in the future, its outcome will clearly have consequences for S4C. S4C therefore looks forward to engaging in these discussions in a meaningful and open-minded way; the licence fee has worked well for S4C in recent years, but it is certainly not the only feasible funding model. As a key stakeholder, we will set out clearly how changes to the current funding mechanism would affect S4C's services and its ability to fulfil its public purpose.

What impact will the privatisation of Channel 4 have on the broadcasting sector in Wales?

Channel 4 holds an important place in Wales' public service broadcasting ecology. Without knowing yet the precise details of any change of ownership of Channel 4, it is difficult to evaluate how this would affect the broadcasting sector in Wales. However, in its Broadcasting White Paper published in April 2022, the Government importantly outlined its commitment to ensuring that Channel 4 remains a public service broadcaster. It also noted that a privately-owned Channel 4 would still be required to commission from independent production companies, including those from outside England, in line with quotas placed upon other public service broadcasters. These commitments ought to guarantee Channel 4's continued valuable contribution to the sector in Wales for many years to come.

Like Channel 4, S4C's relationship with the independent production sector spans our 40-year history. We play a vital role in supporting the independent production sector in Wales. In fact, it has been argued that, 'without S4C, Wales may well not have any independent television production companies at all⁵.' We are pleased that the sector has grown and matured to the point where Welsh companies are now able to win network commissions from other broadcasters, including Channel 4.

S4C currently commissions content from over 50 independent companies across Wales, and highly values their creative output. In addition to the incremental GVA contributed to the sector, the Welsh economy, and beyond due to S4C investment, Welsh production companies have reported that it is their track record of working with S4C that has enabled them to co-produce and gain commissions with other networks and broadcasters⁶. These opportunities have consequently provided employment in the industry across Wales, contributed to a thriving Welsh production sector, and have seen Wales being placed on UK and international screens.

In recent years, S4C has also embarked on a number of content partnerships with Channel 4. Our co-productions, which have included the award-winning *Tŷ Am Ddim/The Great House Giveaway*, our gripping drama series *Y Golau/The Light in the Hall*, and the recently-announced film *Un Nos Ola Leuad* (the first Welsh-language opera ever broadcast on TV) have all been, or will be, broadcast on both S4C and Channel 4. Co-productions with Channel 4 have greatly benefited S4C (in increased production value), production companies in Wales (in increased investment), and our audiences (in world-class content). Moreover, we look forward to further content partnerships with Channel 4 which are currently in development.

S4C and Channel 4 have co-invested in significant skills and training projects, including Factual Fast-Track Wales, RAD Cymru Wales, and Culture Connect Cymru. Projects such as these are crucial for ensuring a highly-skilled and diverse talent pipeline for the sector in Wales and it is important that they continue. In its White Paper, the Government stated it would look to use the proceeds from the proposed sale of Channel 4 to deliver a creative

⁵ [The Heart of Digital Wales: a review of the creative industries for the WAG, 2009](#)

⁶ [Assessing the economic impact of S4C in Wales and the UK. A report by Arad research, Mar 2021](#)

dividend for the sector. Needless to say, this dividend ought to include a fair share for the sector in Wales and, furthermore, it could be used in part to support talent and skills' development in Wales.

What should the future of public service broadcasting in Wales look like given the growth of global streaming platforms and changing viewing habits especially of younger generations of consumers?

There is no doubt that the media landscape is evolving. Neither is there doubt that this evolution has been accelerated by the pandemic period. S4C has seen this shift through increased viewing on a range of platforms over the past year. For example, viewing sessions for our content on S4C Clic and iPlayer are growing by around 11.6% a year between them. It is also noteworthy that 60% of viewing on S4C Clic and iPlayer is from those under 55 years old, and 35% from those under 35 years old.

Ofcom's Media Nations Wales 2022⁷ report affirms a changing media landscape: time spent watching TV is down, take-up of subscription services is up, and internet users in Wales aged 15+ now spend an average of 34 minutes a day on TikTok. The proliferation of digital platforms, the growth of global (and alternatively funded) video-on-demand, changing audience preferences and patterns, increased choice and competition have all fundamentally changed how public service broadcasters connect with our audiences.

Nevertheless, there remains an essential role for public service broadcasters in this media landscape. Each of the public service broadcasters in Wales – S4C, BBC, ITV, Channel 4 and Channel 5 – fulfil unique remits which contribute to the overall delivery of the UK's public service broadcasting system. Furthermore, with an increasing choice of content in the English language, S4C's role is as vital as ever. With 312 hours of children's programmes commissioned last year, 296 hours of sport, 124 hours of entertainment, 517 hours of factual programmes, 80 hours of drama, and with 219 hours of news broadcast⁸, the breadth of S4C's public service content remains valuable for Welsh audiences.

Moreover, S4C makes a key contribution in terms of supporting the growth and prominence of the Welsh language. Currently, half of S4C's viewing hours are attributed to fluent Welsh-speaking adults in households where everyone speaks Welsh. Yet, we know that only 30% of all Welsh-speaking adults can be classified as such, and so there is potential for S4C to tap into new audiences here. The sociolinguistic landscape has also shifted, but there is an important place for S4C within it. Through targeting wider audiences, and particularly mixed-language households, S4C is able to introduce the Welsh language to households less familiar with it. This is a vital contribution S4C can make to normalising the language post-education.

Given the rapidly changing media landscape, in these past few years, S4C has concentrated on increasing its online presence, on introducing S4C Clic to new platforms, provided box sets for binge-watching, grown its short- and medium-form content offering, and launched a new digital news service, to name but a few developments. We must be unafraid to pilot new content or learn from others, to push boundaries, to harness social media and content influencers. We must be data-driven, agile and alert to evolving viewing patterns and preferences.

Whilst it is very important to note that 29% still rely on DTT to watch TV in Wales, household penetration of connected TV sets is now at over 71%⁹, and this has grown rapidly in the last few years. Within that landscape, the UK market penetration is approximately as follows:

⁷ [Ofcom, Media nations: Wales 2022, Aug 2022](#)

⁸ [S4C Annual Report and Accounts 2021-22](#)

⁹ [Ofcom, Media nations: Wales 2022, Aug 2022](#)

30% Samsung, 19% Fire OS, 10% Xbox¹⁰, and S4C is available on all of these platforms. We look forward to also launching S4C Clic on LG TVs (13% penetration) and FreeView Play (which is available on a number of connected devices) within the next year. Traditional cable and satellite paid-for services, such as Sky and Virgin, still account for over half of TV platforms in Wales.

S4C must be easily discoverable and accessible in the digital world in order for us to share our Welsh-language programmes with as wide an audience as possible. However, it is, and will be, difficult for S4C to negotiate prominence on each connected TV platform on a purely commercial basis.

For some time, S4C and the other public service broadcasters have been calling for legislation to guarantee availability and prominence on digital platforms. We are therefore pleased to see these related proposals in the Government's Broadcasting White Paper. A new and enforceable prominence regime is particularly critical for a minority language broadcaster such as S4C given that English-language content, and those with far greater brand ubiquity and promotion budgets, dominate most platforms. The new regime should be proportionate and flexible to adapt to market changes, but it is urgently required for us to keep up with ongoing developments to ensure we reach our target audience, thus helping to guarantee the vibrancy of the Welsh language for future generations.

Serving our young audiences is an integral part of S4C's public service provision. Cyw, our service for our youngest viewers, for example, reaches 500,000 across the UK each month and supports language transmission and acquisition. This is not only appreciated by our viewers, but it forms the bedrock of our support for the first pillar of the Cymraeg 2050 strategy¹¹. Recently, S4C's provision for children and young people greatly benefited from the Young Audiences Content Fund. The pilot, which has since come to an end, significantly increased the funding available to commission Welsh-language content and enabled us to commission more ambitious output such as original children's animation and bold dramas for teenagers. An important aspect of the fund was that 5% had been designated for the UK's indigenous languages. This led to an important boost for the sector in Wales and provided a means of raising the genre's profile. DCMS have said that they are conducting a full evaluation of the pilot to consider whether a contestable fund would work as a longer-term model. S4C would support any future fund or scheme that provides additional value to this core genre and which ensures younger generations have access to high-quality Welsh-language content across multiple platforms.

For the broadcasting sector in Wales, our vision is a highly-skilled, bilingual, representative and inclusive workforce. Yet, currently across almost every area of expertise in the creative sector in Wales, there are skills gaps exacerbated by the pandemic. To ensure a sustainable and innovative production sector, which is able to compete internationally whilst also satisfying domestic demand, increased investment in skills and talent development is required. However, long-term talent nurturing ideally requires longer-term funding purviews than are currently available. Plugging skills and talent gaps in much-needed areas such as digital content and storytelling ought to start at a young age, not just through post-16 training, and should be interwoven with sector partnerships and broader Cymraeg 2050 initiatives. S4C has an ambition to establish a digital hub to meet demands and help skills' development. There is potential here to work with local authorities as part of creative development programmes associated with Levelling Up and other emerging funding streams.

Ultimately, S4C is here to serve and celebrate the people of Wales, the Welsh language and Wales' communities – and in an increasingly global media landscape, S4C has a clear

¹⁰ [Statista, Smart TV penetration in the UK 2021, Feb 2022](#)

¹¹ [Welsh Government, Cymraeg 2050: A million Welsh speakers, 2017](#)

contribution to make in shaping how Wales is presented to wider audiences across all platforms. It is imperative that, in its role as the national broadcaster, S4C properly portrays and celebrates Wales in all its diversity. In order for S4C to continue to serve and grow its audience, as well as contributing to a strong broadcasting sector in Wales, the long-term commitment to ensuring on-screen and behind-the-scenes representation is of vital importance. S4C has a number of strategies that contribute to this work, including a diversity and inclusion strategy and a training strategy, and it is committed to equality, diversity, inclusion and fair representation across its services. We are also committed to social mobility, and a number of partnerships, including with Screen Alliance Wales and Careers Wales, support the development of opportunities for individuals from a variety of backgrounds.

What steps need to be taken by the UK Government, sporting bodies and broadcasters to ensure the survival of free-to-air broadcasting?

The provision of free-to-air sports is one of the cornerstones of S4C's unique public purpose and it plays a vital role in promoting the Welsh language. From historic, unifying national moments like watching Wales qualify for the World Cup this year, to coverage of under-represented sporting teams like netball and age-grade rugby, S4C's free-to-air coverage has significant cultural and social impact.

Free-to-air sport on S4C is popular: eight out of our ten most-watched-programmes in 2021-22 were live sports. 28% of S4C's viewing hours in 2021-22 were sports' viewing hours. Moreover, live sports generally attract a younger and more diverse audience to S4C's services.

Acquiring the broadcasting rights for live sports is expensive and it has always been a competitive market. However, we are increasingly seeing pay-TV and global SVODs (with far deeper pockets) expanding their sports content offering. This has led to an inflation of the cost of acquiring such rights and it is becoming increasingly challenging for S4C to compete.

It is particularly concerning to see the Welsh language being overlooked in such negotiations. S4C has a key objective to contribute to the Government's Cymraeg 2050 targets, and sport coverage provides one of the main ways of introducing the language to new audiences. Our Welsh-language football commentary, for example, acts as a bridge, giving everyone the opportunity to hear and enjoy the language, whether they speak Welsh or not. It is a popular element of our provision that enables us to broaden our reach. In fact, no other genre comes close to sports in terms of appealing to non-Welsh speakers: 44% of S4C's sports' viewing hours are viewed by non-Welsh speakers in Wales, compared to 26% of hours across all genres. Crucially, many viewers come to S4C for sports but will then progress to watch other programmes and genres. Yet, when Wales' national sporting events, and the Welsh language, are placed behind a paywall, S4C's role in bringing the language to people's ears and lives is hindered.

S4C's expertise and agile ways of working has meant that we have been able to work on a case-by-case basis in partnership with subscription broadcasters, such as Sky, BT Sport, and Premier Sports, to bring Welsh-language free-to-air sports coverage to our viewers. These sub-licensing partnerships have benefited sporting teams with increased visibility, as well as viewers across Wales who have been able to enjoy international football, European rugby, and so forth, on free-to-air television.

The Secretary of State has the power to draw up a list of sporting events of 'national interest'. The aim is to make sure that key sporting events are made available to all television viewers, particularly those who cannot afford the extra cost of subscription television or streaming services. Due to a historical requirement that a service must be received by at least 95% of the UK population to qualify, S4C is currently not included within

this 'listed events' regime. As S4C is available on Freeview only in Wales, it is impossible for us to meet this requirement; moreover, in the digital age, it no longer seems fit for purpose. Following the UK Government's White Paper, our expectation is that the forthcoming Media Bill will make the Listed Events regime a public service broadcaster-specific benefit, and that S4C will be listed as a qualifying broadcaster. The Welsh language needs to be better reflected in this framework, and making S4C an eligible broadcaster in its own right will help us to provide a popular platform for the Welsh language.

Under the current legislation, an event of 'national interest' may be listed because it includes interest within England, Scotland, Wales or Northern Ireland. An event may therefore be listed because it is of 'national' interest within England, Scotland, Wales or Northern Ireland separately. This is the basis upon which the Scottish FA Cup Final, for example, has been listed within List A (in Scotland only). This provision has never been exercised in relation to Wales, but it may be the case that certain events are of greater importance in Wales than in the rest of the UK, with such events forming an important part of Welsh culture and experiences. Coupled with the potential to increase grassroots participation, such events should be made available as widely as possible to the people of Wales via live free-to-air television and in the Welsh language.

Would a move away from free-to-air sports broadcasting ensure more investment in grassroots sport in Wales?

S4C has always been a consistent supporter of, and investor in, sport in Wales. For example, S4C has been a broadcaster of the JD Cymru Premier national league since 2008, and our coverage has helped maintain local clubs and grow the profile of domestic football significantly. Last season, there were 48 live domestic matches shown across S4C's Sgorio platforms and 12m views to its online content, demonstrating how important this coverage is for supporters of the leagues.

Being able to negotiate broadcasting rights is an important source of income for sporting bodies. However, recent commercial partnerships between S4C and subscription broadcasters – and, therefore, free-to-air broadcasting of major sporting events on S4C – has not led to less funding for sporting bodies. Sporting bodies can, and do, benefit from the revenue that comes when these rights are sold and sub-licensed in such a way, and they may choose to invest these revenues at the grassroots level.

There is clearly a balance to be struck between ensuring financial certainty for sporting bodies and maximising the wider advantages that come with free-to-air sports broadcasting. S4C wishes to continue to provide free-to-air coverage of sports: it has the power to bring the nation together, it allows us to generate interest in a diverse range of sports and to provide a popular platform for the Welsh language. This need not be at the expense of the grassroots' game.

Any move away from free-to-air sports broadcasting ought to fully consider the impact introducing a paywall would have on the opportunities for people across Wales to watch sports and to hear the Welsh language, as well as providing evidence of increased grassroots investment and participation.

22 August 2022