

National Assembly for Wales
Communities and Culture Committee

Inquiry Report
Public Service Broadcasting in Wales

June 2009



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

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Committee Membership



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Chair's Foreword



The UK broadcasting landscape has recently been in a state of flux with ITV in particular facing financial difficulties. ITV is the ubiquitous alternative to the BBC across the UK and has been for decades, but that position has been changing rapidly. Over the coming months the joint effects of the economic decline and reducing advertising revenues could easily result in ITV withdrawing from its public service broadcasting obligations and leaving a huge gap in the nation's news sources.

In Wales, other news sources are weak – local newspapers are facing similar problems – so this situation is particularly acute with news plurality in danger of being lost completely.

Everyone acknowledges that having the variety of voices providing news and current affairs is essential for a healthy democracy and as healthy competition to the BBC. It is not just news that is required – we also need more non-news programmes commissioned from Wales and about Wales.

As broadcasting is not devolved, our conclusions cannot change what is happening to ITV, but we make a strong recommendation to the UK and Welsh governments to plug the increasingly large gap that ITV is leaving as it withdraws, with a new fund to commission both news and non-news programmes from Wales and about Wales. We have outlined the funding required to do this based on what we have heard from the experts in this field.

We see a clear justification for the creation of a skeleton body to administer this fund – a 'Welsh Media Commission' to secure plurality and pose the question to those charged with making the serious decisions about funding – what will Wales be like without a variety of voices reflecting the news and current affairs? I am sure no-one would like the answer.

Recommendations

Recommendation 1

We recommend that the Welsh Assembly Government urges the UK Government to ensure plurality in broadcasting in the English language in Wales in its forthcoming *Digital Britain* Report, to ensure funding for the Welsh Media Commission, and to guarantee the present level of programme output on ITV

Recommendation 2

We recommend that the Welsh Assembly Government and the Department for Culture, Media and Sport (DCMS) establish a Welsh Media Commission to commission news and non-news programming initially for transmission on ITV and further content for other services and media. We set out our proposals for a Welsh Media Commission in our report

Recommendation 3

The Welsh Assembly Government should urgently commission an independent review of its activity in the field of creative industries and audio-visual culture, including the role of the Finance Wales Intellectual Property Fund, the Film Agency, and its funding of Welsh language journalism and community radio and consider how these activities could aid and support the Welsh Media Commission

Recommendation 4

We recommend that Ofcom holds the main PSB providers to minimum targets of network output from Wales of 5% of qualifying output.

Progress towards this should be monitored by Ofcom, the Assembly Government, and the National Assembly for Wales

Recommendation 5

We recommend the Welsh Assembly Government commissions an annual assessment of the portrayal of Wales on network output by each of the main PSB broadcasters (BBC, ITV, Channel 4, S4C and Five), including news provision

Recommendation 6

We recommend that the Welsh Assembly Government urges the UK Government to review the Broadcasting Act to create a single commercial licence for Wales

Recommendation 7

We recommend that Welsh Ministers, in conjunction with Ofcom, review the possibility of devolving the allocation of community radio licences in Wales

Recommendation 8

We recommend the Welsh Assembly Government works with Ofcom and the UK Government to ensure that DAB is available across 90% the whole of Wales, and that BBC Wales services are available on DAB throughout 90% of Wales, before the analogue signal is switched off

Recommendation 9

We recommend that the Welsh Assembly Government works with broadcasters and independent producers, to work with the BBC in developing a creative hub for media – a 'Media Capital'

Introduction

What the committee decided to inquire into and why

The Communities and Culture Committee established the Broadcasting Sub-committee to respond to Ofcom's consultation on Public Service Broadcasting. The Communities and Culture Committee as the parent committee originally agreed that the Sub-committee should meet twice to formulate its response to the Ofcom consultation. These meetings occurred on 5 November and 10 December 2008. During this time, the broadcasting industry in Wales was unsettled. ITV announced job losses, Ofcom published its final report on 21 January 2009 and the UK Government published its interim *Digital Britain* report. The Broadcasting Sub-committee referred the inquiry to the Communities and Culture Committee on 22 January.

Whilst broadcasting is not a devolved matter, the National Assembly for Wales has a responsibility to hold institutions who deliver public services in Wales, to account on behalf of the citizens of Wales.

Terms of reference

The terms of reference for the Broadcasting Sub-committee agreed by the Communities and Culture Committee on 5 November 2008:

The Committee resolves to establish a Broadcasting Sub-committee. The remit of the Sub-committee is to report, by 4 December 2008 on the proposals in Phase 2 of Ofcom's Public Service Broadcasting Review and to report on Ofcom's final report on the future of public service broadcasting within 2 months of it being published. The Sub-committee will cease to exist upon final report.

The revised terms of reference agreed by the Communities and Culture Committee on 29 January were:

The Committee will progress the broadcasting inquiry commenced by the Broadcasting Sub-committee and will:

- *Report on the implications of the Digital Britain report and its review of PSB*
- *Report on Ofcom's final report on the future of public service broadcasting within 3 months of it being published*

The Broadcasting Sub-committee produced a response to Ofcom's consultation and set the scene for the subsequent inquiry work carried out by the Communities and Culture Committee. This is attached to this report as Annex 2.

Legislative framework

The legal nature of the principal organisations

Ofcom

Ofcom was established as a body corporate by the Office of Communications Act 2002, so that it could be in place before it assumed the regulatory functions that followed in the Communications Act 2003. The Board is appointed by the Secretary of State for Culture Media and Sport. Ofcom's Annual Report is laid before Parliament.

BBC

The BBC is constitutionally established by a Royal Charter. The current Royal Charter was granted to the BBC on 19 September 2006 and took full effect from 1 January 2007.

Under the new BBC Charter, the previous Board of Governors has been replaced by two new bodies – the BBC Trust and a separate Executive Board. The BBC Trust defines the performance criteria and measures against which the Executive Board's delivery of the BBC's services and activities are judged, and holds the Executive Board to account. The Executive Board is responsible for the day-to-day operations of the BBC.

The Trust has 12 members in total, including designated members for England, Scotland, Wales and Northern Ireland. Its membership is appointed by an Order in Council brought forward by the Secretary of State for Culture Media and Sport. The BBC's Annual Report is laid before Parliament.

ITV

As a result of a series of mergers, the former regionally-based companies who operated ITV (Channel 3) franchises in England and Wales have become a single public limited company, ITV plc. Shares in ITV plc can be bought and sold by the public. The Annual Report of ITV plc is submitted to its shareholders.

S4C

The S4C service was originally established under the Broadcasting Act 1981 and was provided for by the Welsh Fourth Channel Authority. Sianel Pedwar Cymru was constituted as a statutory corporation under the Broadcasting Act 1990, and continued the functions of the former Authority. Its membership is appointed by the Secretary of State for Culture, Media and Sport (under section 56 of the Broadcasting Act 1990). S4C's Annual Report is laid before Parliament.

Channel 4

The Channel 4 service was originally established under the Broadcasting Act 1981 and was provided for by the Independent Broadcasting Authority. The Channel Four Television Corporation was subsequently established as a statutory corporation under the Broadcasting Act 1990 and the Channel's functions were transferred over to the new Corporation in 1993. The Corporation's board is appointed by Ofcom (under Schedule 1 of the Communications Act 2003) with the approval of the Secretary of State for Culture, Media and Sport. Channel 4's Annual Report is laid before Parliament.

Five

Channel 5 Broadcasting Limited (known as Five) is a limited company (wholly owned by RTL) within the Bertelsmann Group, which describes itself as "One of the largest media and entertainment companies in the world." Shares in Channel 5 Broadcasting Limited cannot therefore be bought and sold by the public.

Sky

The British Sky Broadcasting Group plc is a limited company registered in the United Kingdom, but connected with the worldwide News Corporation. Shares in British Sky Broadcasting Group plc can be bought and sold by the public. The company's Annual Report is submitted to its shareholders.

The statutory context in which they operate

As can be seen above, the statutory authority for the work of S4C and Channel 4 is mainly contained in the Broadcasting Acts of 1981 and 1990. The regulatory context in which they, as well as the independent broadcasters, operate was substantially changed by the Communications Act 2003. For example, section 203 of the 2003 Act provides that:

It shall be a function of Ofcom, to the extent that provision for them to do so is contained in this Act and Part 5 of the 1996 Act, to regulate the services provided by the Welsh Authority [S4C].

Ofcom's responsibilities in relation to broadcasting include licensing UK television and radio services on analogue and digital terrestrial, cable and satellite. The Ofcom Broadcasting Code sets down rules which television and radio broadcasters must follow. The Code sets standards to protect the under-18s whilst allowing broadcasters an appropriate degree of creative freedom.

Ofcom is required to maintain and strengthen the UK's tradition of high quality public service broadcasting. Ofcom also oversees quotas intended to ensure a broad range of television programmes from independent producers and from the nations and regions of the UK.

Section 198 of the Communications Act 2003 also gives Ofcom a limited role in relation to the regulation of the BBC.

In relation to independent channels (i.e. those other than the BBC, S4C and Channel 4), the licensing framework operated by Ofcom is generally that in the Broadcasting Act 1990, though significantly amended by the 2003 Act. That legislation provides not just for the granting of licences to broadcasters, but also the application of conditions to those licences and the enforcement action available to Ofcom.

Arrangements relating to accountability

Formal accountability in terms of Annual Reports – is to Parliament in the case of Ofcom, the BBC, S4C and Channel 4, and to shareholders in the case of ITV and Sky (and indirectly by Five as a wholly-owned subsidiary). The broadcasters are also regulated by Ofcom in the manner described above.

Ofcom's internal accountability arrangements are through its advisory committees; the Consumer Panel, the Advisory Committee on Older and Disabled People, and the Advisory Committees for the Nations.

The Consumer Panel is made up of part-time members with a balance of expertise in consumer issues in the electronic communications sector. There are members representing the interests of consumers in Scotland, Wales, Northern Ireland and England. Consumer panel members are appointed by Ofcom, subject to approval by the Secretaries of State for Business, Enterprise and Regulatory Reform and for Culture, Media and Sport. Panel Members are appointed in accordance with Nolan principles for two or three year terms and are eligible for re-appointment. The Consumer Panel is assisted by a small support team.

The Communications Act 2003 requires Ofcom to establish and maintain an Advisory Committee for Older and Disabled People. Section 21 of the Act requires that "The committee shall consist of – (a) a chairman appointed by Ofcom; and (b) such number of other members appointed by Ofcom as Ofcom think fit". The function of the Committee "shall be to provide advice to Ofcom (including other committees established by Ofcom) about the interests, in relation to communications matters, of (a) the elderly; and (b) persons with disabilities".

Ofcom has established separate advisory committees for the nations under Section 20 of the Communications Act 2003. Members of the advisory committee for each nation are appointed through an open public process by Ofcom. These advisory committees identify those aspects of Ofcom's current work and of communications in general which are of particular importance for their nation, work with the Ofcom Executive to inform themselves on these topics and offer advice to Ofcom accordingly.

The BBC has similar internal arrangements, with Audience Councils for the four nations, chaired by the Trust member designated as the Member for the relevant nation. Its principal accountability process, however, is by the

Executive Board to the Trust, following the formal separation of responsibility under the current Charter. The detail of how the Councils are to be set up, run and recruited must be set out in a Protocol under the Charter. Audience Council members are appointed by the Trust on the recommendation of a panel consisting of the Trust Member for the relevant nation and two independent assessors (taken from the Assembly Government's list of independent assessors) following an open recruitment process in accordance with public appointment practices.

S4C also has a separation of responsibility, with an Authority and a Board. As a much smaller organisation, it also makes particular use of public meetings as part of its accountability arrangements and has been a regular witness at committee meetings of the National Assembly for Wales.

Particular arrangements relating to Wales

There is no Welsh representative as such on the main board of Ofcom, but one member of the Content Board is appointed to represent to Ofcom the interests and opinions of people living in Wales. Ofcom appoints an Advisory Committee for Wales to advise Ofcom about the interests and opinions, in relation to communications matters, of persons living in Wales.

One member of the BBC Trust is designated the Trust member for Wales, who chairs the Audience Council for Wales, which in turn is appointed by the Trust. The Audience Council is responsible for the scrutiny of the BBC's performance on behalf of audiences living in Wales and to advise the BBC Trust on issues relating to BBC audiences and services at a Wales level.

S4C is clearly an institution particular to Wales. On the other hand, Channel 4 has hitherto had no particular Welsh perspective, having been primarily a supplier of sustaining service on analogue to S4C.

Although responsibility for broadcasting issues has not been devolved to the Welsh Assembly Government, it is consulted by and works closely with the Department for Culture, Media and Sport in relation to broadcasting matters. Similarly, the National Assembly has no legislative powers in relation to broadcasting matters, and broadcasting is specifically excluded from the powers that the Assembly would acquire after a referendum, which are set out in Schedule 7 of the Government of Wales Act 2006. However, Schedule 7 of the Government of Wales Act may be amended by Order in Council under Section 109, and similarly Schedule 5 may also be amended by Order in Council under Section 95, so Measure making powers could be used if the UK Government granted such an Order.

Key issues

Ensuring plurality

Television, radio and printed media hold up a mirror to society...if there are no programmes, you do not have a chance to see yourself. You need a diversity of voices for that. Whatever the glory of the BBC, it is not healthy to have that sort of monopoly¹

1. Plurality – a diversity of voices – is a term often used in broadcasting circles when talking about the BBC’s position, but it means more than ‘content provided by anyone other than the BBC’; it facilitates a range of expression in broadcasting and other media such as newspapers, radio and online and contributes towards a healthy democracy.
2. The impact of devolution in Scotland, Wales and Northern Ireland has created a democratic imperative – in the Nations there is a divergence of policy on health, education and transport, amongst others, with new political systems and dedicated politicians. These policies need to be scrutinised, examined and explained to the public and we require high quality journalism and different sources of information to do this. It contributes to a healthy democracy. Wales is not in the same position as the English regions – they do not share the same democratic imperative. This is why ensuring the plurality of media provision should be the first call on any funding for public service broadcasting, particularly in news, current affairs and political coverage.
3. Plurality is not only a concern for Public Service Broadcasters in Wales. Wales is weaker than Scotland and Northern Ireland in almost every aspect of the media. It has a weak commercial radio sector² and in the print media, Wales also suffers a deficit:

Indigenous print media are already very limited and are threatened by structural change. No London newspaper publishes a Welsh edition. Nearly 90 per cent of daily newspaper readers in Wales are reading papers with no Welsh content³

The BBC’s position

...the BBC invests so much in journalism in Wales – this is probably the part of the United Kingdom where we spend the most money on getting the journalism right...the way in which we can offer comprehensive journalism and current affairs programming across television, radio, the web and other

¹ Minister for Heritage – oral evidence 10.12.08

² Welsh Assembly Government – Communication and Content, The Media Challenge for Wales – Report for the Minister of Heritage, November 2008 – BSC(3)-02-08, paper 2

³ Welsh Assembly Government – Communication and Content, The Media Challenge for Wales – Report for the Minister of Heritage, November 2008 – BSC(3)-02-08, paper 2

*devices in the English and Welsh languages is a great strength. We know from talking to the public that they agree*⁴

4. BBC Wales currently spends £24 million on English language television output. However, it is committed to cut £3 million per year from its budgets in Wales for the next five years – a reduction of £15 million across all its services for Wales and its network production⁵.

ITV's position

5. ITV's current position has acted as a catalyst in accelerating the crisis of public service broadcasting.
6. ITV currently broadcasts 4½ hours per week of news, including the flagship news programme *Wales Tonight* and 1½ hours per week of non-news consisting of current affairs and a weekly arts programme. It spends £5 million on news and £2 million on non-news in Wales.⁶
7. ITV Wales reaches a different audience to BBC Wales with its news provision. *Wales Tonight* has a weekly average audience of 250,000 compared with the BBC's *Wales Today* (575 000 viewers) with only a small overlap – only 10 per cent watch both.⁷
8. Despite public support for its services, ITV is in a difficult financial position:

*We are facing a recession that is hitting the commercial broadcasting sector as hard as any sector, at the same time as structural change, which means that the traditional commercial public service broadcasters face a more challenged economic model than ever before. You could describe those two events happening together as a perfect storm*⁸

9. The 'perfect storm' has already resulted in a fall in advertising revenue of 20% in the first three months of the year and 600 redundancies announced this year in addition to the 430 redundancies last year across ITV.⁹

10. This situation is not sustainable:

*...not so long ago ITV's licences as a digital broadcaster across the UK were in surplus rather than deficit...in the medium to long-term the level of our provision is commercially unsustainable. We need to align the costs and benefits of our licences*¹⁰

⁴ BBC – Mark Thompson, Director General – oral evidence 12.03.09

⁵ Welsh Assembly Government – Communication and Content, The Media Challenge for Wales – Report for the Minister of Heritage, November 2008 – BSC(3)-02-08, paper 2

⁶ ITV – Mike Jerney, Director of News, Current Affairs and Sport – oral evidence 26.03.09

⁷ Welsh Assembly Government – Communication and Content, The Media Challenge for Wales – Report for the Minister of Heritage, November 2008 – BSC(3)-02-08, paper 2

⁸ ITV – Mike Jerney, Director of News, Current Affairs and Sport – oral evidence 26.03.09

⁹ ITV – written evidence to committee: CC(3)-06-09 : Paper 2

¹⁰ ITV – Mike Jerney, Director of News, Current Affairs and Sport – oral evidence 26.03.09

11. In the short-term, ITV is obliged to maintain its current output until its PSB licence expires in 2010, but it will not guarantee to maintain this provision post 2010:

*If we want to preserve plurality in news and perhaps beyond that, the key question of funding needs to be addressed rather than, in a sense, looking to ITV and wishing that past realities were current ones*¹¹

S4C's position

12. S4C receives direct UK Government funding of £94 million per annum, together with programmes to the value of £25 million from BBC Wales¹² (since 1982 the BBC has been required by statute to deliver at least ten hours of programming to S4C each week, funded by the licence fee)¹³.

*The core business of S4C is to broadcast Welsh language programming. That is in statute and it is enshrined and protected. The money that we receive is for that purpose*¹⁴

13. Currently S4C is not involved in providing English language PSB.

Conclusions

14. At a time when the National Assembly for Wales has grown in significance, and when it is increasingly important to understand the differences between policy in Wales and other parts of the United Kingdom, it is deeply troubling that even the present comparatively little amount of provision of news and other programming on ITV Wales is under threat:

*while media outlets proliferate, those involving material originating in Wales contract and media consumption in Wales are dominated by material from outside... Wales is on track to be a passive consumer of content created by others rather than having a strong voice of its own*¹⁵

15. If ITV Wales programming ceases, the BBC will be the sole provider of English language television in Wales and for Wales.

16. No-one, including the BBC, wishes to see a monopoly by one organisation, over news provision – and its related genres of political coverage and current affairs – in Wales:

¹¹ ITV – Mike Jermey, Director of News, Current Affairs and Sport – oral evidence 26.03.09

¹² Welsh Assembly Government – Communication and Content, The Media Challenge for Wales – Report for the Minister of Heritage, November 2008 – BSC(3)-02-08, paper 2

¹³ BBC – written evidence – CC9£)-05-09: Paper 3

¹⁴ S4C – John Walter Jones, Chair S4C Authority – oral evidence 12.03.09

¹⁵ Welsh Assembly Government – Communication and Content, The Media Challenge for Wales – Report for the Minister of Heritage, November 2008 – BSC(3)-02-08, paper 2

We believe that there is a strong need to sustain plurality as far as possible. This is not just about broadcasting plurality; it is about news media plurality¹⁶

17. Ofcom research tells us Welsh audiences consider plurality in news provision to be the most important issue¹⁷, however there is a strong view that the future consideration of PSB in Wales needs to look beyond news and current affairs alone:

English language PSB should provide viewers in Wales with a range of programmes specifically directed at their distinctive interests¹⁸

18. We strongly believe the problem here is not confined to news plurality – we need a plurality across the spectrum of PSB:

...this should not be seen as an exercise that is simply about news. It has to go beyond that¹⁹

19. Historical structures that have delivered plurality and competition in public service broadcasting on ITV in the past are not sustainable. So, maintaining the status quo and hoping that things will improve is not a valid option if we wish to safeguard plurality.

20. In the short-term, we would like to see ITV Wales continuing with its present PSB commitments in both news and non-news, for as long as is reasonably practical. To achieve this, we would urge the UK Government and Ofcom as the regulator, to try to use their influence to ensure that position is maintained. However, we accept that beyond 2010, this may be difficult to achieve and agree that longer-term alternative funding and commissioning structures must be found to ensure the continuation of PSB provision.

Options for securing plurality

21. The public service broadcasting crisis unfolding across the UK has developed rapidly and is particularly acute in Wales. We have heard several potential solutions during this inquiry which are being discussed between the key PSB stakeholders in Wales. Here we outline the options presented to us during this inquiry and conclude with our thinking on how this issue should be tackled in developing these ‘floating proposals’ to produce a tailored solution for Wales.

22. The chronology of recent events is important to understand the context of our recommendations:

¹⁶ BBC – Mark Thompson, Director General – oral evidence 12.03.09

¹⁷ Ofcom – Jonathan Thompson, Director of Strategy, Ofcom – oral evidence 26.03.09

¹⁸ Heritage Minister – written evidence

¹⁹ Ofcom – Rhodri Williams, Director Wales – oral evidence 10.12.08

- Phase 2 of Ofcom's PSB review which commenced towards the end of last year, sparked debate. It drew conclusions and published its report in January this year – this represented Ofcom's recommendations to government
- around the same time S4C developed a proposal which aligned with Ofcom's thinking
- in parallel, the BBC and ITV also signed a new partnership to save resources
- the UK Government published its emerging thinking on how PSB policy was developing in its interim *Digital Britain* report shortly after Ofcom's report was published drawing together some of these developments and providing an indication of the direction of travel
- the UK Government will publish its final conclusions in the *Digital Britain* report in June this year and is currently considering all of the evidence presented to it

23. We have communicated the key conclusions and recommendations of this inquiry to the *Digital Britain* team to take into account in considering the UK Government's policy position. This had to be done before the report was published due to the timing of the final *Digital Britain* report which will be published in mid-June.

24. The rest of this section outlines the proposals from the key players and our recommendations on securing plurality.

Ofcom's proposals

25. Ofcom reported on its review of public service broadcasting in January this year and stated:

The central challenge we have been seeking to address is how a historically strong and successful public service broadcasting system can navigate from its analogue form into a digital mode²⁰

26. The report outlined suggestions for the UK Government to consider in developing a solution. These are:

- Maintaining a strong BBC with funding to deliver its core services across digital platforms remaining at the heart of the public service system

²⁰ Ofcom's Second Public Service Broadcasting Review: Putting Viewers First

- Developing a second institution with clear public purpose goals and a sustainable economic model to help ensure wide availability of public service content

27. Specifically for the devolved nations Ofcom concluded:

We believe government needs in parallel to plan for an alternative model of news for the devolved nations...this could be based on the establishment of independently funded consortia to provide an alternative source of news to the BBC²¹

28. Ofcom explained how this approach could work:

...funding would be made available to whatever the consortium might be. It could potentially be made available on a contestable basis...and some kind of panel would be established to view bids from potential consortia, put together from existing players in the Welsh industry, or new players, and that could be existing television groups, regional newspapers or other potential providers of news in that area.

The premise would be that the consortium would be commissioned to provide news programming that would probably be broadcast as part of the existing channel 3 licence in Wales or the relative region or, alternatively, on the second public service broadcaster licence, although our preference would be the channel 3 licence. So, effectively, ITV would provide a window, for which this consortium would provide independently funded programming²²

29. The cost of such a provider for Wales would be in the region of £4 million – £8 million for regional news with non-news provision above and beyond that figure.²³

30. S4C responded to this consultation offering a solution to maintaining news plurality by funding English language news provision:

The proposal is that S4C would be responsible for producing a tender and for awarding a contract based on that tender to a company to provide an English language news service to be broadcast on ITV Wales²⁴

31. ITV was clear that it supported this approach:

With regard to making slots available, we have said, in relation to news, that if a funding solution is found, we would make slots available for a third-party provider, so long as provisions relating to quality and conformity with the ITV brand are met, in order to reach our traditional audience sets²⁵

²¹ Ofcom's Second Public Service Broadcasting Review: Putting Viewers First

²² Ofcom – Jonathan Thompson, Director of Strategy – oral evidence 26.03.09

²³ Ofcom – Jonathan Thompson, Director of Strategy – oral evidence 26.03.09

²⁴ S4C – Iona Jones, Chief Executive – oral evidence 12.03.09

²⁵ ITV – Mike Jermey, Director of News, Current Affairs and Sport – oral evidence 26.03.09

32. Whilst the detail of S4C's proposal was not available to us, we were told that such a deal would include further support:

It is possible to share 'back office facilities' and we are quite happy to discuss that...we are aware of the economic situation, of our own budget, of other people's budgets and of the need to be careful with public money, so every opportunity will be sought to look after the money involved²⁶

33. S4C went on to explain:

There will be elements of funding, and they will be for others to identify—Government, in particular—but, taken in the round, I think that we have identified a solution that is cost-effective, practical and can be implemented as soon as the need becomes pressing to an issue that we have all been trying to resolve over some length of time²⁷

34. S4C also gave us assurances that if its proposal is accepted, it would in no way threaten the existing Welsh language service it provides and that its core remit would not be affected:

This would be a new service. It would be answerable and accountable in the same way as we are accountable to Parliament and others for the Welsh-language service. The same mechanisms would apply but I am determined that, as far as I am concerned and the authority is concerned, the question does not arise. The Welsh-language service is there. This is something new; it is a response to a request from Ofcom for creative thinking²⁸

35. We welcome the S4C Authority's support for maintaining plurality on ITV Wales, but we do not believe this is best achieved by S4C's commissioning staff commissioning English language programming. Indeed, we believe that such a step would reduce even further the plurality of commissioning of programmes across broadcasting in Wales. This thinking is expanded later in this report where we recommend a Welsh Media Commission that would fulfil this role.

A BBC – ITV partnership

36. The BBC has proposed sharing some of its news gathering facilities with ITV to create efficiency savings:

...there is an emerging plan about sharing certain kinds of news rushes—certain pictures. However, this would be restricted to two generic news pictures for a story about, say, a car crash or for diary items. It will be done very much with the view that the other news provider in Wales or elsewhere in the UK would still have a completely separate editorial brain, a different running order, its own crews and ability to cover certain key stories, top

²⁶ S4C – John Walter Jones, Chair S4C Authority – oral evidence 12.03.09

²⁷ S4C – Iona Jones, Chief Executive – oral evidence 12.03.09

²⁸ S4C – John Walter Jones, Chair S4C Authority – oral evidence 12.03.09

stories, exclusive stories and so forth. In the context of news internationally, this is very familiar²⁹

37. ITV welcomed these proposals but was not optimistic about their effect:

[on collaborating with the BBC] by 2016 it could save £7.1 million across the ITV licences, there would be no saving over the next couple of years and in the first couple of years of partnership, 2011 and 2012, it would save £1 million to £2 million...our conclusion at the end of it is that, on its own, it delivers too little and delivers it too late to save ITV regional news on ITV1 in itself...the partnership between ITV and the BBC, whilst extremely welcome and which has future possibilities, is insufficient to meet the challenge³⁰

38. Whilst it is clear that this partnership in itself is no solution to the crisis, we agree with ITV that it has utility as part of a solution.

The UK Government's emerging conclusions

39. On providing audiences with regional news beyond the BBC's services, the interim *Digital Britain* report flags up proposals that may yield a solution. In particular³¹:

- **Partnership between the BBC and ITV** to help sustain ITV's service is flagged as promising, however, we now know that whilst a partnership is helpful, it does not solve the problem
- **Independently funded news consortia** – including opening up slots in ITV's schedule to a third-party contestably-funded news provider which may involve a number of local news providers such as the Press Association, or other providers. S4C's proposal fits with this approach and it is suggested it could form the basis of a 'pilot project' in Wales

40. Lord Carter signalled to us his approval of S4C's proposal:

We welcomed S4C's proposal because it seemed to be one of the first ideas from an existing institution to do something outwith its usual way of working³²

41. Whilst we welcome a solution for news plurality in Wales, this would only be solving part of the problem. Ofcom explained its views on non-news provision:

The research that we undertook across the UK, including in Wales, highlighted that the area of greatest importance in terms of the provision of choice beyond the BBC was news provision...We strongly believe that

²⁹ BBC – Mark Thompson, Director General – oral evidence 12.03.09

³⁰ ITV – Mike Jermey, Director of News, Current Affairs and Sport – oral evidence 26.03.09

³¹ Digital Britain – the interim report, January 2009

³² Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

*plurality and choice of content in other areas, beyond news, is also important...it would be disappointing if we were only able to sustain plurality in news provision, because the aim and goal is to sustain plurality beyond the BBC if we can*³³

42. Ofcom's evidence for prioritising news provision is primarily based on the audience research conducted as part of its first review into the future of PSB in 2008 which indicated:

- 78% of respondents across the UK said that 'providing good quality news about my area was important'
- 61% said the same thing about 'good quality programmes about my nation/region' – 5% more than for 'high quality soaps or dramas made in the UK'
- In Wales, while 91% thought it was important to have news of Wales on more than one channel, 71% thought the same should apply to other programmes for Wales

43. We therefore believe that the proposal to develop independently funded news consortia could and should be developed further to include commissioning of non-news programming:

*there is no reason why [the model] could not be extended to non-news content, so that you could broaden the remit of such a proposal to begin to commission current affairs programmes, documentaries and other programming of social and cultural value in Wales. That would require additional funding but it would be doable within the existing system*³⁴

44. We are concerned that Lord Carter is not convinced of the importance of non-news provision:

*My sense at this stage is that there is strong cross-party support for the argument for plurality in news and current affairs. Candidly, when you stretch beyond that, it gets more challenging*³⁵

45. It appears that due to the existence of S4C and its direct relationship with its sponsoring department, there is a mistaken belief within the Department of Culture, Media and Sport, that in Lord Carter's words:

³³ Ofcom – Jonathan Thompson, Director of Strategy – oral evidence 26.03.09

³⁴ Ofcom – Jonathan Thompson, Director of Strategy – oral evidence 26.03.09

³⁵ Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

Wales is in a more advantageous position in this debate than are Scotland and Northern Ireland because of the existence of S4C, advantaged in funding terms and by having a dedicated service, albeit a Welsh-language service³⁶

46. In spite of this difference the Committee recognises that Wales could be seen in a stronger position than other parts of the UK in that it has an effective independent sector based in Wales, partly originating from the existence of S4C. This sector could offer significant advantages, in considering whichever model is developed, introducing the potential for significant cost savings. This strength should also be at the starting point of this report's recommendations.
47. In this funding climate, the independent sector should be encouraged to take up this opportunity. It could bring about innovations in news and non-news in both languages, realising significant economies of scale.
48. The committee wishes to emphasise the importance it places on news and information programming including current affairs, political programming, and consumer programming. However, we do not believe that that it can sufficiently reflect the richness of life in Wales. ITV Wales's programmes and its impact on their audience show a level of loyalty and support from the Welsh audience that go beyond news programmes, which is why we are recommending that the aim should be to maintain plurality across the range of public service broadcasting. We are also recommending the creation of a Welsh Media Commission which is described below.

Recommendation 1

We recommend that the Welsh Assembly Government urges the UK Government to ensure plurality in broadcasting in the English language in Wales in its forthcoming *Digital Britain* Report, to ensure funding for the Welsh Media Commission, and to guarantee the present level of programme output on ITV

Establishing a Welsh Media Commission

...we heard and responded to the proposals for a specific fund for Wales that could source non-news as well as news content and that appeared in our final report; it is something that we suggested to Government that it consider. I think that proposal has merit³⁷

49. There is strong evidence that the best way of delivering plurality in Wales would be through a 'Welsh Media Commission'. This is essentially an evolution of the S4C proposal to include non-news and extend further than

³⁶ Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

³⁷ Ofcom – Jonathan Thompson, Director of Strategy, Ofcom – oral evidence 26.03.09

the broadcast media to include for example, web and broadband based content and newspapers:

We believe that part of the answer would be to establish a broadcasting commission in Wales that would be responsible for commissioning programmes – possibly news programmes, or perhaps more general programmes. The recommendation is that if ITV were either to fail or refuse to deliver a news service, [a broadcasting commission] could commission a news service from an independent broadcaster or broadcasters³⁸

Recommendation 2

We recommend that the Welsh Assembly Government and the Department for Culture, Media and Sport (DCMS) establish a Welsh Media Commission to commission news and non-news programming initially for transmission on ITV and further content for other services and media. We set out our proposals for a Welsh Media Commission in our report

50. The detail of how the Welsh Media Commission could operate is set out below:

Responsibilities and functions

51. A Welsh Media Commission should be responsible for:

- **developing public service content in the English language beyond the BBC in Wales**, in particular, seeking to commission content primarily from independent producers, working with broadcasters or carriage providers to cover both news and non-news programming
- **working creatively across media to secure public service content** commissioning content to be broadcast during peak hours in slots negotiated with ITV. This could also include commissioning PSB content from community and commercial radio, newspaper sectors, IPTV, and broadband content providers
- reviewing options for the creation of a digital channel for Wales

Structure and governance

52. S4C's offer of 'back office' assistance to a 'pilot project' for commissioning English Language news for ITV in Wales is welcomed and could form the nucleus of a Welsh Media Commission.

³⁸ Minister for Heritage – oral evidence 10.12.08

53. It would be possible for the BBC to provide similar support services. However, as the aim is to secure plurality of PSB provision in competition to the BBC, it may be more appropriate for the Welsh Media Commission to work more closely with S4C.
54. The recently agreed partnership between the BBC and ITV, and the strategic partnership between S4C and the BBC, also provide opportunities for broadcasters to work together with a Welsh Media Commission to ensure that the resources of public service broadcasters are used creatively and collaboratively.
55. As broadcasting is not devolved, DCMS clearly has a role to play in creating and sponsoring a Welsh Media Commission. We therefore recommend that it is an appointed body, jointly created by the Welsh Assembly Government and DCMS and financially accountable to both governments.
56. A Welsh Media Commission should also:
- be free of political interference in its commissioning of content
 - take over the role of Ofcom's advisory panel for Wales, and should represent the views and interests of viewers, listeners and content users in Wales
 - consist of no more than 4 members to be appointed through an independent process. S4C should be represented due to its supportive role in the creation and running of the body
57. A Welsh Media Commission should employ the minimum number of staff; work closely with other media organisations and governmental organisations such as Finance Wales, to enhance its understanding of the market in Wales and to explore opportunities for commissioning public service content.

Funding

...we should at least be aiming to fill that gap of £25 million to £30 million per annum as the probable loss over the next few years through BBC cutbacks and the loss of ITV programming in Wales³⁹

58. There is a consensus about the amount of funding a Welsh Media Commission would require to provide a news and non-news service. Ofcom explained to us the rationale behind the estimate of £25 million to £30 million:

Looking back to when ITV provided a wide range of programming in competition with the BBC's non-news offering, the high water mark of that

³⁹ Minister for Heritage – oral evidence 10.12.08

*provision would have been sometime around 1999...at that time it would have been spending in the region of £20 million on that...which at today's cost would represent the highest ever investment in non-news content in Wales*⁴⁰

59. We agree that this is a sensible cost estimate for a Welsh Media Commission's fund.

60. The key question is – where could the money come from? Lord Carter comments that no money has been promised for a Welsh Media Commission to accomplish its work:

*All of these questions circle around the same issue. I cannot give you an answer on how realistic a Welsh media commission might be, other than to say that we live in a world of fewer resources, not more. Part of the reason why these questions are being asked, is because the market is providing less money. In a sense, it is a double jeopardy on resources—money is not coming from the market and therefore, it would have to come from some other form of public intervention at a time when there are significant strains on public intervention. The sharpness of the competing resources is challenging*⁴¹

61. We recognise that the level of funding we are seeking may be considered ambitious. However in the context of the overall spend on public service broadcasting across the UK, it is very small indeed. The public service pot within broadcasting in the UK at present is £3.325 billion, (including BBC funding of £2.7 billion; and ITV funding of £180 million)⁴².

62. We believe that the support of S4C in running a Welsh Media Commission mean that costs could also be kept to a minimum.

63. We recommend the funding should be allocated to a Welsh Media Commission primarily by the UK Government, but also partly by the Welsh Assembly Government. Possible funding sources are identified in Ofcom's final report on PSB⁴³ and the interim *Digital Britain* report⁴⁴, which singly or in combination, could deliver the scale of funding needed to realise sufficient funding for the commissioning of public service provision on ITV and other services in Wales. These are:

- the 'switchover surplus' – the present funding that the BBC has been provided with to help older and disabled people prepare for digital switchover. This sum equates to circa £130 million per year
- a levy on non-PSB parts of the industry

⁴⁰ Ofcom – Rhodri Williams, Director of Wales – oral evidence 26.03.09

⁴¹ Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

⁴² http://www.ofcom.org.uk/consult/condocs/psb2_phase2/psb2_phase2.pdf

⁴³ http://www.ofcom.org.uk/consult/condocs/psb2_phase2/statement/psb2statement.pdf

⁴⁴ http://www.culture.gov.uk/images/publications/digital_britain_interimreportjan09.pdf

- existing regulatory assets such as broadcasting spectrum
- possible funding from the devolved governments
- national lottery funding

64. We recognise that there are already large scale budgets within PSB in Wales – in BBC Wales (07/08: English language television for Wales - £24.4 million; Welsh language programmes for S4C - £22.5 million⁴⁵; Commissions from BBC Wales for BBC networks - £43 million) and S4C, with its budget of £95 million.

65. We wish to be very clear that the Committee has no wish to diminish S4C's income and 'rob Peter to pay Paul' to provide English language services. It is a real concern however, that the imbalance between funding for English language PSB and Welsh language PSB in Wales is set to deteriorate further.

66. The Welsh Media Commission should seek external funding by leveraging financial and 'in kind' value from other partners, including ITV and S4C. It should also be able to pursue co-production and European funding.

67. The fund should be contestable in its method of delivery. i.e. it could be for a variety of 'methods of delivery' including television, radio, online, newspapers, broadband and multimedia (and usually, more than one of these).

68. Whilst it was clear that the Welsh Assembly Government would not core fund public service broadcasting in Wales, it made positive comments about adding value to a core funded service:

Broadcasting is not a devolved issue, and as such, it would be wrong for the Welsh Assembly Government somehow to take on the role of funding such a commission. However, if core funding was available, it would be right to look at how we could add value to that⁴⁶

69. We think there is a source of additional funding that could be tapped by the Welsh Assembly Government, as the Minister alluded to in his evidence:

...it would be wrong for the Government in Wales to take on the core funding of such a service but after, that, there are all sorts of ideas. For example, through the Arts Council of Wales, the Government in Wales funds the Film Agency for Wales. The work produced by it might provide part of the service of a channel in Wales if such a channel was to be established. Therefore,

⁴⁵ http://www.bbc.co.uk/wales/audiencecouncil/sites/content/pages/annualreview_2008.shtml

⁴⁶ Minister for Heritage – oral evidence 10.12.08

*there are ways in which a Government could perhaps complement programming on the channel in Wales*⁴⁷

70. Media initiatives the Welsh Assembly Government currently funds or part funds include:

- the community radio fund - £100,000 this year⁴⁸
- the Intellectual Property Fund – £8 million⁴⁹
- Welsh language journalism – £200,000 annually to Golwg Newydd for 08-11 and £173 000 annually via Welsh Books Council on Welsh medium news and current affairs publications⁵⁰

71. We would like to see these funding streams reviewed to identify potential funding to contribute towards the Welsh Media Commission.

Recommendation 3

The Welsh Assembly Government should urgently commission an independent review of its activity in the field of creative industries and audio-visual culture, including the role of the Finance Wales Intellectual Property Fund, the Film Agency, and its funding of Welsh language journalism and community radio and consider how these activities could aid and support the Welsh Media Commission

Portrayal of Wales on the network

*...there is the question of whether the second institution could play a greater role, not only in commissioning spend, but in the portrayal and representation of the nations*⁵¹

72. We welcome the interim *Digital Britain* report's recognition of the important role played by regional production and independent production quotas as an essential part of the social and economic benefits arising from public service broadcasting.

73. We are pleased that the BBC has committed to achieving targets for commissioning programming from Wales to be shown on the BBC's television networks:

The BBC quota is 17 per cent throughout the nations. It has not tied to that the percentage of the population of Wales, Scotland and Northern Ireland, but

⁴⁷ Minister for Heritage – oral evidence 10.12.08

⁴⁸ <http://wales.gov.uk/news/topic/culture/2009/090407radio/?lang=en>

⁴⁹ http://www.financewales.co.uk/what_we_do/how_we_invest/creative_projects.aspx

⁵⁰ Minister for Heritage – written evidence to Committee: BSC(3)-03-09: Paper 1

⁵¹ Ofcom – Jonathan Thompson, Director of Strategy, Ofcom – oral evidence 26.03.09

*the unwritten understanding is that the 17 per cent should be distributed along the lines of the distribution of population between the three nations*⁵²

74. 17 per cent breaks down approximately as follows:

- Wales – 5%
- Scotland – 9%
- Northern Ireland – 3%

75. 5% of qualifying network output to be commissioned from Wales would represent circa £50 million of programming to be achieved by 2012⁵³. The BBC could achieve this target by moving 'Casualty' from Bristol to Cardiff which is currently being considered:

*What we are principally looking at now is the finance case, the capital hit and the capital profile of the various options for the future of Casualty, but the underlying logic of Casualty joining a growing and very successful body of network drama already being made by BBC Wales is very strong*⁵⁴

76. This decision to recognise and develop BBC Wales as a major centre of drama production is a tribute to BBC Wales's staff and management as well as a reflection of the BBC's greater readiness to engage with its duty to decentralise network production across the UK. This is a substantial achievement and we welcome it wholeheartedly.

77. However, we urge the BBC to ensure that not only high profile drama series such as *Doctor Who*, *Torchwood*, and *Casualty* are produced in Wales, but that BBC Wales also has the opportunity to gain commissions for programming that provides a portrayal of Wales. We therefore recommend the BBC reviews how BBC Wales could work better with independent companies to ensure further network commissions.

78. ITV's record in commissioning network production is poor. On its own admission, it has not commissioned a programme from Wales since 2005. When asked by the Chair of the National Assembly's Broadcasting Committee about the number of commissions placed in Wales over the past three or four years, Mr. Jerney replied:

*Very few. In the past two years for ITV, I do not believe there has been one*⁵⁵

79. Although we understand ITV's present financial position, ITV has never shown a commitment to commissioning programming from producers in Wales, even in times of plenty. Therefore, whilst ITV has public service obligations, we would like to see Ofcom holding it to account for Wales to

⁵² Ofcom – Rhodri Williams, Director of Wales – oral evidence 26.03.09

⁵³ BBC – Menna Richards, Controller BBC Wales – oral evidence to Broadcasting Committee 9.06.08

⁵⁴ BBC – Mark Thompson, Director General – oral evidence 12.03.09

⁵⁵ ITV – Mike Jerney, Director of News, Current Affairs and Sport – oral evidence to Broadcasting Committee, 2008

have 5% share of qualifying network production and for portrayal of Wales on network drama and other non-news programming.

80. We do not think it unreasonable for ITV to make greater efforts to commission independent companies based in Wales, or to ensure greater portrayal of Wales on ITV services.

81. Channel 4 spends less than 1% of its funding on commissions from independent companies in Wales⁵⁶. There is no reason why Channel 4 should not share the BBC's network target of 5% of qualifying programmes to be commissioned from Wales:

...we have said that there should be a greater contribution to commissions from each of the nations. I am conscious that, in the PSB review, we have set out a quota for Channel 4 at 3 per cent of commissions from the nations. That is low and we acknowledge that⁵⁷

82. We believe the Welsh Assembly Government should work closely with the broadcasters to identify and encourage talent in Wales and the development of independent production.

83. If there is to be a newly constituted second public service broadcaster we believe that it must adopt the same network production quotas for the nations as the BBC, and that at least 5% of its commissioned output should come from Wales.

Recommendation 4

We recommend that Ofcom holds the main PSB providers to minimum targets of network output from Wales of 5% of qualifying output.

Progress towards this should be monitored by Ofcom, the Assembly Government, and the National Assembly for Wales

Recommendation 5

We recommend the Welsh Assembly Government commissions an annual assessment of the portrayal of Wales on network output by each of the main PSB broadcasters (BBC, ITV, Channel 4, S4C and Five), including news provision

Broadcasting licence in Wales

84. We welcome Ofcom's support in its second PSB Review document, that a separate licence should be created for Wales, and for the West of England

⁵⁶ Ofcom Television Production Sector Review 10.01.06

⁵⁷ Ofcom – Jonathan Thompson, Director of Strategy, Ofcom – oral evidence 26.03.09

portion of the existing licence to be incorporated into the West Country licence. We do not believe that a joint licence reflects the significant political, constitutional and social changes in Wales over the past ten years, and that it is now an anachronism. This view was reflected by Lord Carter:

*The traditional regional network for the broadcasters is not a regional network or indeed a national network that you and I would understand; it is largely a function of the geographic location of transmitters which, in truth, is a function of engineering practicality rather than cultural identity or relevance*⁵⁸

85. We agree that the licence should be separated, particularly if ITV withdraws from its PSB obligations.

Recommendation 6

We recommend that the Welsh Assembly Government urges the UK Government to review the Broadcasting Act to create a single commercial licence for Wales

Community radio licences

86. Six radio community stations in Wales have received funding⁵⁹:

- Afan FM in Neath Port Talbot
- BRFM in Blaenau Gwent
- Bro FM in the Vale of Glamorgan
- Calon FM in Wrexham
- GTFM in Pontypridd
- Tudno FM in Llandudno

87. The Welsh Assembly Government has awarded licences to these stations on the basis of their commitment shown to their communities in a number of key areas including encouraging healthy lifestyles, promoting training and social enterprise for excluded and vulnerable people and strengthening cultural and linguistic identity.⁶⁰

88. However, commercial radio companies are concerned that community radio could provide unwelcome competition, which was explained to us by Lord Carter:

⁵⁸ Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

⁵⁹ <http://wales.gov.uk/news/topic/culture/2008/081028communityradio/?lang=en>

⁶⁰ <http://wales.gov.uk/news/topic/culture/2009/090407radio/?jsessionid=fdL7KV7TPdTjF1cgyQHZCzpy423kmx3lNBXry2wFMmvk1D5kywHy!-845036832?lang=en>

The received view is that, if you give community radio too much commercial freedom, you will suck too much money out of commercial radio, which is already struggling for all sorts of reasons. If you want, at the same time, to accelerate the transition of traditional radio into digital radio—which involves a double transmission cost, because you have to pay for DAB transmission as well as FM transmission—you have to think about how you do that. It is quite interrelated. However, community radio needs to be a big part of the mix⁶¹

89. We believe that the Community Radio sector can provide some of the 'localness' which is missing from much of commercial radio, and that it can also provide important benefits in the field of media literacy. We therefore welcome Lord Carter's review of community and local commercial radio licensing and believe there may be more potential for harmonisation of community, RSL licences and local commercial radio licences in Wales.

90. We believe that consideration should be given to devolving responsibility for the licensing of community radio stations in Wales to a Wales-based organisation, such as Ofcom's advisory panel for Wales.

Recommendation 7

We recommend that Welsh Ministers, in conjunction with Ofcom, review the possibility of devolving the allocation of community radio licences in Wales

DAB radio in Wales

91. In Wales FM radio has not achieved total coverage with some listeners having to rely on AM, according to Ofcom's advisory panel for Wales, FM coverage is barely 60% in Wales⁶². As a result these listeners are not receiving the quality of sound provided by FM broadcast.

92. Radio Wales and Radio Cymru are carried on DAB only on two local commercial multiplexes which serve the Cardiff/Newport and Swansea areas.

93. The UK Government outlines in the interim *Digital Britain* report plans to roll out DAB coverage and fully migrate radio to DAB, but recognises the restrictions of the current DAB transmission capabilities:

...we have taken the view in the interim report that there should be a dedicated transmission network for radio in digital format, however else you can get it digitally – whether on your computer, your mobile phone or, it is to be hoped, in your car. The DAB transmission capability needs to increase to

⁶¹ Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

⁶² http://www.culture.gov.uk/images/publications/Ofcom_ACforWales_DBIRResponse.pdf

*reach the level of FM coverage, which means way beyond 90 per cent, particularly if we want car manufacturers to come on board.*⁶³

94. The level of coverage in Wales for Welsh services should be no less than that of the rest of the UK. The criteria proposed for the migration of radio to DAB, should be designed in such a way as to ensure that Wales is not disadvantaged in the process. Even though the proposed criteria may be met on a UK basis, there is likely to be a significantly lower level of DAB penetration in Wales, and in particular for Wales based services. Under such circumstances, ending analogue transmissions cannot be justified.

95. The National Assembly, through its Sub-committee on broadcasting, has previously sought assurances that digital switchover will not happen unless there is a guarantee of coverage for the main BBC radio services – Radio Cymru and Radio Wales – at a level of at least 90% of coverage for DAB throughout Wales.

Recommendation 8

We recommend the Welsh Assembly Government works with Ofcom and the UK Government to ensure that DAB is available across 90% the whole of Wales, and that BBC Wales services are available on DAB throughout 90% of Wales, before the analogue signal is switched off

Developing media in Wales

*One consideration for BBC Wales is the growth in drama and consequently the desire to create what we call a drama village to ensure that all our series are produced at the same location*⁶⁴

96. We welcome this proposal from the BBC to develop the concept of a Media Capital in Cardiff. Mark Thompson, the BBC's Director General explained how a Media Capital would develop:

*The BBC's role is not necessarily to be the biggest spender on the site, but to be a landmark first anchor tenant around which other people gather. That has been our experience in Pacific Quay, where the Scottish company STV has moved in next door to us and quite a few independent production companies are moving in*⁶⁵

97. The Welsh Assembly Government can play a role in helping this to happen facilitating discussion between broadcasters and independent producers, working with the BBC to develop a creative hub for media in Cardiff.

⁶³ Lord Stephen Carter, Minister for Communications, Technology and Broadcasting – oral evidence 12.03.09

⁶⁴ BBC – Menna Richards, Controller, BBC Wales – oral evidence 12.03.09

⁶⁵ BBC – Mark Thompson, Director General – oral evidence 12.03.09

Recommendation 9

We recommend that the Welsh Assembly Government works with broadcasters and independent producers, to work with the BBC in developing a creative hub for media – a 'Media Capital'

Annex 1

Organisations and individuals who gave evidence in person to the Committee

Presenter	Organisation	Transcript Paragraph Reference
10 December 2008 - Broadcasting Sub-committee		
<ul style="list-style-type: none">Alun Ffred Jones, Minister for HeritageJohn Howells, Director for Culture	Welsh Assembly Government	6-94
<ul style="list-style-type: none">Stewart Purvis, Partner, Content and StandardsRhodri Williams, Director, WalesSue Balsom, Ofcom's Content Board Member for Wales	Ofcom	96-179
12 March 2009 - Communities and Culture Committee		
<ul style="list-style-type: none">Iona Jones, Chief Executive OfficerJohn Walter Jones, Chair, S4C Authority	S4C	7-71
<ul style="list-style-type: none">Mark Thompson, Director GeneralMenna Richards, Controller, BBC WalesJanet Lewis Jones, National Trustee for Wales, BBC Trust	BBC	74-159

<ul style="list-style-type: none"> • Lord Stephen Carter CBE, Minister for Communications, Technology and Broadcasting • Jon Zeff, Director of Media 	Department for Business Enterprise and Regulatory Reform	162-227
26 March 2009 - Communities and Culture Committee		
<ul style="list-style-type: none"> • Jonathan Thompson, Director of Strategy • Rhodri Williams, Director in Wales • Sue Balsom, Member of Ofcom's content panel for Wales 	Ofcom	5-66
<ul style="list-style-type: none"> • Michael Jermey, Director of News, Current Affairs and Sport • Elis Owen. National Director, ITV Wales 	ITV	153-238

Annex 2

Schedule of Committee Papers

Date	Name of Organisation	Paper Reference Number
Broadcasting Sub-committee		
10 December 2008	Welsh Assembly Government	BSC(3)-02-08 (p1) BSC(3)-02-08 (p2) BSC(3)-02-08 (p3)
Communities and Culture Committee		
12 March 2009	S4C	CC(3)-05-09 (p2)
12 March 2009	BBC	CC(3)-05-09 (p3)
12 March 2009	Department for Business Enterprise and Regulatory Reform	CC(3)-05-09 (p4)
26 March 2009	ITV	CC(3)-06-09 (p2)

Copies of all papers and transcripts can be found at:

<http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-ccc-home/bus-committees-third-ccc-agendas.htm?ds=3/2009>

Annex 3

The Broadcasting Sub-committee's response to Ofcom's Phase 2 consultation on Public Service Broadcasting

Submission to Ofcom - 3 December 2008

This submission is in response to the part of the Ofcom consultation dealing with the future of Public Service Broadcasting in Wales.

Introduction

Broadcasting Sub-committee

1. The Communities and Culture Committee of the National Assembly for Wales established a Broadcasting Sub-committee on 5th November 2008 to respond to Ofcom's recently published second Public Service Broadcasting Review document; "Preparing for the Digital Future".
2. The Sub-committee's remit agreed by the Communities and Culture Committee is to:

...report, by 4 December 2008 on the proposals in Phase 2 of Ofcom's Public Service Broadcasting Review and to report on Ofcom's final report on the future of public service broadcasting within 2 months of it being published. The Sub-committee will cease to exist upon final report.

Broadcasting Committee

3. The Broadcasting Committee of the National Assembly for Wales reported on 16th July 2008 on the future of Public Service Broadcasting in Wales. The Committee ceased to exist on 18th July 2008.
4. Since the publication of the report, the Welsh Assembly Government has published its response, and expressed concern about the future of public service broadcasting in Wales.

Broadcasting Sub-committee's response to the consultation

5. The Sub-committee understands the urgency for action in view of the present financial state of ITV, and the expectation that the United Kingdom Government may need to legislate in this area within a very short timescale.
6. Many of the conclusions and recommendations of the Broadcasting Committee are relevant to this consultation document, and the Sub-committee is pleased to note that a number of the key recommendations have been re-stated in Ofcom's PSB document.

7. In particular, the Sub-committee supports the Broadcasting Committee's belief that Ofcom should itself represent the needs of Wales formally by having a representative of Wales on its main board, and ensuring a more transparent method of representing Welsh opinion in its work in regulating TV and radio in Wales in particular.

Refined models for public service content in the future

The Sub-committee recommends:

- The appropriate model for the future should be an amalgam of the 'Evolution approach' and the 'Competitive Funding approach' described in the consultation document
- ITV1 in particular should continue to have public service obligations until at least 2014, and subsequently there should be a separate franchise for Wales

8. The Sub-committee believes this approach would provide the flexibility to ensure a developing and changing response to the needs of audiences in Wales and ensure a migration from the present system to a more plural system of PSB provision in future. We are concerned that Channel 4, in particular, has no track record in providing PSB in Wales, and may not be attuned to the needs of audiences in Wales.

The models in nations and regions

The Sub-committee recommends that:

- additional funding is found to sustain funding for public service broadcasting beyond the BBC
- if ITV wishes to withdraw from its public service obligations, and surrender its licence, the licence for Channel 3 in Wales should be separated from the Channel 3 licence for England and advertised separately, with specific public service provision

9. The Sub-committee notes Ofcom's view in its consultation document that ITV plc might wish to withdraw from its public service obligations in the immediate to medium term.
10. This is of concern to the Sub-committee as ITV's programmes and services are a crucial addition to the range and diversity of programming from Wales and about Wales. The Sub-committee believes the BBC is not sufficiently pluralistic to be able to provide a rich diversity of voices and perspectives. Such a view of plurality implies that any voice would need to

conform to the editorial guidelines and requirements of the BBC, under one editor in chief, and within one editorial agenda.

11. The Controller of BBC Wales, Menna Richards, gave evidence to the Broadcasting Committee and stated:

“We recognise the threat to plurality, which is a key issue in Wales, exacerbated by a weak press. The BBC welcomes competition; it is good for Wales, good for the industry. We would prefer to see a continuing role for ITV Wales given its heritage and its ability to deliver significant audience reach.”

12. The Chief Executive of Ofcom, Ed Richards, gave evidence to the Broadcasting Committee and stated:

“We agree that it is a serious concern and that the question of plurality in general is crucial, especially in news and current affairs in Wales. This is also the case in Scotland and Northern Ireland, but there is an even more acute argument in Wales.”

13. The weakness of the indigenous print media and the local commercial radio sector in Wales means that viewers in Wales rely more heavily on its national television services than viewers elsewhere in the UK.
14. ITV in Wales has both reach and impact for its audiences and is very popular – a survey of 2538 people (November, 2008) conducted by the National Assembly for Wales indicated a third of respondents stated they received their news about Wales mainly from ITV Wales.
15. The importance of maintaining an alternative mainstream provider to the BBC in Wales is amplified by ITV Wales’s performance of its programming in peak. ITV Wales is broadcasting twice as much non-news output in peak-time (6pm – 9pm) than BBC1 Wales. Losing this service on ITV would mean a substantial reduction in the number of people of Wales accessing Wales based programming.
16. Ofcom’s own research shows that ITV’s news services serve a demographically different audience from that of the BBC. Relying on one provider would risk isolating large parts of the audience from being informed, entertained and engaged with life in Wales. The fundamental basis of good citizenship “is an educated and participative democracy” and the prerequisite is an understanding of current events. The evidence of audience research in Wales is that it not only values news provision on ITV as well as the BBC, but also values non-news programming in particular.
17. Any further diminution of ITV’s services for Wales in news or in its reduced commitment to non-news programming could result in insufficient economies of scale for ITV in Wales and may make it unable to maintain the necessary range of skills and facilities to make its operation viable.

18. If ITV Wales ceases providing its English language services in Wales, and if the BBC was to be left as the only provider of English language news, current affairs, features and documentaries, sport, entertainment and drama in Wales, the citizens of Wales would be poorly served by its broadcasting media.
19. Real plurality is achieved through different voices and different tones. The Sub-committee sees plurality as underpinning and guaranteeing the cultural expression of people throughout Wales and reflecting their everyday experiences on TV (or other) services. This can only be achieved by a variety of different perspectives from different broadcasters and providers of content.
20. The Sub-committee considers it unacceptable for there to be only one source of broadcasting in Wales in the English language, and recommends that the resolution of the future of public service broadcasting in Wales should include steps to ensure funding for public service broadcasting beyond the BBC.
21. The Sub-committee notes:
- Ofcom's comment (s5.55): *"a refined BBC/Channel 4 model could see S4C and Channel Four operate side by side, with further competition introduced through an element of public funding"* It refers to the IWA and others advocating a *"funding model heavily devolved to Wales"*
 - Ofcom's view that: *'future models for Channel 3 based on the existing licence or a future stand-alone Welsh licence would be unlikely to be viable. Were a future stand alone licence to be held by ITV plc, some element of cross-subsidy from the English licence might continue to be possible. But otherwise...some forms of public funding would be required'*
22. The Sub-committee recognises that a Channel 3 license for Wales would need some kind of cross-subsidy but considers that if ITV does not fulfil its obligations to Wales, a separate Channel 3 license for Wales should be created.

Public Service Content Commissioning Body

The Sub-committee recommends a fund for public service content in Wales is established to be responsible for disbursing monies for PSB content

23. The sub-committee notes the suggestion made by Ofcom that a competitive funding model could be established through a body to allocate funds, with a budget and objectives set by Parliament. The funding body's duty would be to award funding through competitive tenders to meet

identified deficits in provision of public service content, informed by consultation with audiences about their priorities.

24. The Sub-committee believes such a fund should be established in Wales and run by a commission, board or authority, with the appropriate governance arrangements in place, which would be responsible for making a strategic assessment of the nature and volume of public service content to be commissioned and ensure funding is directed to achieve as much reach and impact as possible.
25. As the consultation document points out, the future of Public Service Broadcasting is a particular issue for Wales, Northern Ireland and Scotland. In Wales it would be most appropriate for a Public Service Content Fund to be accountable to the Welsh Assembly Government as well as the UK Government. The differences in audience demand and need in Wales should be reflected in its governance and accountability.
26. Members of the fund should be appointed in consultation with the Welsh Assembly Government.
27. The fund should be available to be bid for by mainstream providers, such as the replacement licensee for ITV, in order to sustain the present level of PSB output in peak on a network mainstream service. PSB funding should be available to other providers, in other media, including radio and online content and including community and commercial radio, online, IPTV and broadband content providers.
28. Consideration should be given to providing broadcast spectrum for a digital service for Wales as part of the remit of the Public Service Fund for Wales. S4C is already and uniquely, a free-standing public service broadcaster in Wales. Its role is to provide Welsh language services and it will have two digital channels – currently broadcasting as S4C digidol and S4C2. Whilst its statutory role is to provide Welsh language broadcast services, it is entitled to use its commercial income for other purposes, and it has invested in non-core businesses such as INUK. Whilst we do not believe that S4C should engage in commissioning English language output, we believe that S4C could assist in the running of the Public Service Content Fund in Wales. It could support the Fund in helping to provide back office functions, access to its audience research expertise, and its expertise in relation to its transmission function.

Funding options for Public Service Provision

The Sub-committee requests Ofcom considers the specific needs of Wales, Scotland and Northern Ireland in relation to the funding of public service content related to each nation, and recommends that significant funds from a variety of sources be used to support the content fund

29. As Ofcom re-iterates in its consultation document, the next five years will be a period of rapid change in the broadcast industry. By 2012, digital switchover across the UK will be complete and the BBC licence fee and the performance of S4C will be reviewed, within the context of dynamic and swiftly evolving constitutional and political change across the UK.
30. The Sub-committee notes the concern about the future of Channel 4's funding as expressed in the Ofcom consultation.
31. Funding public service broadcasting in future must take into account the specific and distinctive requirements of Wales, Scotland and Northern Ireland. It welcomes Ofcom's recognition of the devolved nations, and "their distinct political and cultural needs". The development of devolution and associated public institutions emphasises the need for comprehensive content across genres that reflects the richness and diversity of the life of Wales, from news and current affairs to entertainment and drama, and for that content to be delivered both by the BBC and by other providers, in order to ensure sufficient plurality.
32. The Sub-committee is concerned that Channel 4's requests for additional funding, or that demands for funding English regional content, should not be set against the particular needs of each of the devolved nations.
33. The Sub-committee recommends other avenues of public service provision funding should also be considered beyond the BBC, including:
- Raising money through the sale of broadcast spectrum
 - Payment for regulatory assets, and levying parts of the industry, such as content and online search providers.
34. The Sub-committee agrees with Ofcom that:
- "the surplus in the current licence fee settlement that is ring fenced to pay for costs of digital switchover, if retained, could be used for other purposes after 2012, without in any way curtailing the BBC's ability to deliver high quality public service content. This sum equates to circa £130 million per year."*
35. The Scottish Broadcasting Commission has proposed the creation of a digital public service television channel and an 'extensive and innovative online platform', which would require circa £70 million for its annual funding.
36. Neither the Broadcasting Committee nor the Broadcasting Sub-committee has taken a view about the desirability of creating a 'channel' for Wales. The approach has been to attempt to address market failure in a more incremental way.
37. However, given ITV's parlous financial position and its retreat from a commitment to a wide range of programming from Wales, then the

responsibility of the Public Service Content Board or Authority for Wales might not only lie with creating the strategic context for the allocation of money, and the allocation of that funding but also with responsibility for spectrum space for the transmission of content.

38. The Sub-committee is anxious that English language content provision in Wales is available on mainstream services such as ITV. It recognises however, that this may not be a realistic possibility beyond 2012. The objective for the content fund would be to ensure a range of content across as many different platforms as possible, and not be located solely on one delivery platform or within one service.
39. It is difficult at this stage to gauge the level of funding appropriate to this level of provision. However, the level of funding should be sufficient to provide a range of content across various platforms and a range of content across genres. It should include sufficient funding to undertake responsibility for the broadcast spectrum necessary to carry a content channel in the future.
40. The Scottish Broadcasting Commission has identified £70 million as the cost for the creation of a digital channel and for its content. The budget required by the Content Fund would be dependent on the range of genres to be commissioned, and by the cost of sustaining a digital channel, if this were undertaken. It should be noted that S4C, with two separate digital channels, has an income of £93 million from Government as well as programming to the value of £25 million from the BBC, and the ability to utilise income from its commercial activity. In contrast, the present budget for ITV Wales is circa £12 million.

Network programming and Public Service Content

The Sub-committee recommends the target of 5% of network production in the BBC from Wales should be met in 2012 rather than 2016, and that the BBC should be monitored and held to account for that target by Ofcom.

41. The Sub-committee welcomes the BBC's agreement to measurable targets for network production from Wales, between now and 2016, amounting to a minimum of 5% of qualifying production, and a value of at least £50 million on that programming. We are also encouraged by the BBC's announcement that additional network programme strands like 'Crimewatch' will be produced in Wales, and that serious consideration is being given to moving 'Casualty' from its Bristol base to Cardiff.
42. As the Director-General of the BBC has indicated, the percentage figure of 5% is a floor, not a ceiling. We are anxious that in transferring substantial strands of in-house BBC programming to Wales, that independent producers in Wales do not lose the opportunity to gain commissions from the BBC networks and we seek assurances from Ofcom and the BBC that

this will not be an unintended result of its network commissioning policy. That commitment to the independent sector by the BBC should be quantifiable and monitored accordingly by Ofcom.

Channel Four

The Sub-committee recommends that Ofcom requires Channel 4 to commission a minimum of 5% of its output from Wales

43. The Sub-committee welcomes Ofcom's proposal to introduce a quota for Channel 4's productions from Wales, Scotland and Northern Ireland from 2010. However, the target percentage figure of 3% of its output to be commissioned from Wales, Scotland, and Northern Ireland is too low and should be based broadly on each nation's population base. The argument for doing so is that Channel 4's public service responsibilities should be based on the principle of meeting the needs of audiences across the United Kingdom.

44. In expressing its commitments to the Broadcasting Committee, Channel 4 stated that:

"The current status of both S4C and Channel 4 will change, as there will no longer be any analogue TV broadcasting in Wales. S4C will become a primarily Welsh-language service, and Channel 4 will become a truly national broadcaster, available to all homes in Wales for the first time on a free-to-air basis. As a result, Channel 4 will be committed to ensuring that our core objectives are achieved across the whole of the UK, including Wales."

45. This requirement for quotas for production from the Nations should be aligned to its new long term funding arrangements as a public service broadcaster. Channel 4 has the responsibility to reflect the whole of the United Kingdom in its services, and the minimum quota of 5% of its production from Wales is most appropriate.

Regulatory issues for the short term

46. The context for ITV's attempt to reduce its Public Service Broadcasting responsibilities is its view, supported by Ofcom, that its PSB obligations will outweigh the benefits during 2011. It is said that the costs in Wales will outweigh benefits by 2009.

47. The short-term options for ITV, and Ofcom's proposal for Wales, are that news in Wales will be reduced from 5 hours 20 minutes to "no more than four hours", through the loss of bulletins on weekday mornings and weekend lunchtimes.

48. ITV has requested that its present duty to produce non-news programming should be reduced from three hours to one and a half hours per week from

2009. It states that the remaining one and a half hours will be broadcast “in peak-time” or “near-peak” and will include current affairs.

49. The consultation document states that it is committed to providing ‘regional’ news up until 2012, but states ITV wishes to review its ‘regional news provision’ in 2011.
50. The importance of maintaining an alternative mainstream provider to the BBC in Wales is amplified by ITV Wales’s performance of its programming in peak. ITV Wales is broadcasting twice as much non-news output in peak-time (6pm – 9pm) as does BBC1 Wales. Losing this service on ITV would mean a substantial reduction in the number of people of Wales accessing Wales based programming. On the basis of audience demand, and that plurality is substantially reduced by any reduction in the level of ITV Wales programming, any reduction in services should be vigorously resisted.
51. The Sub-committee is disappointed by Ofcom’s proposal to reduce the minimum requirements of ITV Wales’s ‘non-news’ output from 3 hours to 1.5 hours in January 2009, although it welcomes the commitment to maintain the remaining output either in peak, or near-peak times.
52. Whilst the sub-committee understand ITV’s concerns about its future viability, at present the needs of audiences have to be balanced with the concerns of ITV and Ofcom in relation to ITV’s overall viability.
53. In the context of ITV’s overall income and expenditure, the total of circa £13 million that we are told is ITV’s budget in Wales is not substantial.
54. ITV states that it is not in the financial position to sustain its public service broadcasting commitments in Wales until 2014, or even to maintain the status quo past January 2009.
55. However, we believe that although ITV’s financial position may be difficult, the needs of audiences in Wales are such that Ofcom should ensure that the present level of service, in terms of hours, scheduling and funding, is maintained.

In view of its significance to audiences in Wales, and the lack of any alternative provision at present, we believe that ITV Wales’ present level of output should be maintained until 2012 at least.

The Sub-committee recommends Ofcom re-considers its agreement to ITV’s proposals to reduce the ‘non-news’ output for ITV in Wales, and presses for a sustained commitment from ITV to 5 hours and 20 minutes of news output and 3 hours of ‘non-news’ output per week

Digital Switchover

The Sub-committee recommends that Ofcom ensures S4C is universally available after digital switchover

56. In its Report the Broadcasting Committee of the National Assembly requested Ofcom ensure S4C services are made available on all digital platforms, throughout the switchover process, throughout Wales.
57. S4C informed the Broadcasting Committee of its concern the timetable for digital switchover meant there may be a time lag between S4C's move to a new multiplex, and digital switchover, possibly making S4C unavailable for a period in that area.
58. The Sub-committee asks Ofcom to ensure that S4C is universally available after digital switchover.

Radio

The Sub-committee recommends:

- Digital switchover should not take place in Wales unless there is a guarantee of at least 97% coverage for DAB in Wales
- Ofcom considers applications for licensing of community radio by its advisory committee in Wales

59. Whilst Radio is not part of Ofcom's Public Service Broadcasting review, digital switchover in radio in the foreseeable future will mean that listeners in Wales would be disadvantaged by the lack of coverage for Radio Cymru and Radio Wales on Digital Audio Broadcasting.
60. The Sub-committee seeks assurance that no switchover will take place in Wales unless there is a guarantee of at least 97% coverage for DAB throughout Wales.
61. The Welsh Assembly Government has created a fund of £500,000 over 5 years, to help develop the community radio sector.
62. We are concerned that the decisions on the licensing of community radio in Wales are not devolved within Ofcom to its advisory committee or any other body with a Welsh interest, so that the decisions over the granting of community licenses on a Wales basis can be made on the basis of Welsh needs. Ofcom should afford the opportunity for applications for the licensing of community radio to be considered by its advisory committee in Wales.

63. We believe there is an appetite and an unfulfilled demand for community radio services in Wales, which is not being met by the present policy of permitting short-term Restricted Service Licenses. The committee believes that Wales would benefit from longer licenses and more continuity. We therefore ask Ofcom to re-consider this issue.

Portrayal of Wales on Network Services

The Sub-committee recommends Ofcom commissions a survey of Channel 4 programming and ITN news to gauge the level of coverage of Wales in its services

64. The consultation document does not deal with the issue of how Wales is portrayed on network services. The BBC's King Report, published in July, 2008, has already led to an improvement to the way Wales is reported on the BBC's network news and current affairs programming. The Sub-committee requests Ofcom to commission a similar survey of Channel 4's programming, and of ITN's news service for ITV, to gauge the level of coverage of Wales in its services.