

# Response to Small Screen: Big Debate

December 2021

**Recommendation 1.** The UK Government should develop policy and legislative proposals to give effect to the Ofcom recommendations in ‘Small Screen: Big Debate’, and ensure devolved administrations are fully involved in this work. .... 7

**Recommendation 2.** The UK Government should respond positively to the Ofcom recommendations that streaming platforms should be required to include, and give appropriate prominence to, public service broadcasters’ content and to negotiate with PSBs. An effective enforcement and dispute resolution process should underpin these requirements. .... 9

**Recommendation 3.** The UK Government should explore international examples of how the challenges from global streaming services and increased online viewing are being met in countries with a history of similar public service broadcasting models, and in countries with minority languages. .... 10

**Recommendation 4.** Ofcom’s operations in Wales should be reviewed. If recommended, as a result of the review, additional resources must be provided by the UK Government to strengthen the regulator in Wales. .... 10

**Recommendation 5.** The negotiations on the funding settlement for Wales are an essential step to guarantee PSBs can continue to serve Welsh audiences by covering our shared cultural events and providing trusted news. The Committee is calling for a seat at the table for a Welsh representative in the negotiations on the next licence fee settlement from 2022-2027. The role of this representative should also be included as standard for the next round of negotiations. .... 12

**Recommendation 6.** The UK Government should recognise the importance of modernising the PSBs’ objectives and update them to ensure they support ‘the UK creative economy, driving economic benefits across the nations and regions’. .... 14



**Recommendation 7.** The Department of Digital, Culture, Media and Sport and the Public Service Broadcasting Advisory Panel should include representatives from the devolved administrations in their discussions on policy and legislative solutions to the challenges facing PSBs in the digital age. Particular regard should be given to the need for intervention to ensure programming in the Welsh language, and content reflecting Wales in both languages, is safeguarded.....17

## 1. Introduction

1. On 13 October 2021, the Culture, Communications, Welsh Language, Sport and International Relations Committee of the Welsh Parliament carried out a one-day inquiry into the challenges facing public service broadcasters (PSBs)<sup>1</sup> in Wales.

2. The starting point for the conversation was the 'Small Screen: Big Debate - Recommendations to Government on the future of public service media' published by Ofcom in July 2021. These recommendations followed the review of PSBs which was launched by Ofcom in December 2020. The Committee spoke to representatives from Ofcom Wales, Ofcom Advisory Committee for Wales, S4C, BBC Cymru Wales, ITV Cymru Wales, independent production companies and academics. A list of participants is annexed to this report.

## 2. Committee findings

3. The Committee endorses the findings by Ofcom that a new legal and policy framework is needed to enable PSBs to fulfil their remits in an increasingly online world, where the changes to technology and viewing habits no longer support the current model. The delivery model has now moved so far ahead of the current funding and legal framework that there will need to be a significant shift to a new model to deal with the existential threat facing PSBs. Participants in the discussion urged the UK Government to look at international funding and regulatory models and any proposals from other governments with minority languages that they may be developing in response to the challenges from global streaming services.

4. The Department of Digital, Culture, Media and Sport has tasked the Public Service Broadcasting Advisory Panel with considering the issues raised and recommendations resulting

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<sup>1</sup> In the Ofcom report, it refers to 'public service media' in recognition of the fact that content generated by public service broadcasters is likely to be accessed on demand online. For consistency, this report refers to 'broadcasters'.

from 'Small Screen: Big Debate'. The Committee is calling on the UK Government to develop policy and legislative proposals based on these recommendations, and ensure the devolved administrations are fully involved as this work is progressed.

**5.** Policy developments must take into account the unique role PSBs have in commissioning content and reflecting the culture of Wales and the Welsh language. The regions and nations of the UK should be integral to the discussions on meeting the challenges posed by the digital era, and particular attention should be paid to the role of S4C in promoting the Welsh language.

**6.** The Committee has written to the Secretary of State for Digital, Culture, Media and Sport to request the opportunity to discuss these issues and wider challenges facing PSBs in Wales at the earliest opportunity.

**7.** The proposed changes to media regulation are vital, but need a strong regulator to have their intended effect. The Committee is concerned that Ofcom in Wales does not currently have the capacity to do this. We therefore call for Ofcom in Wales to be strengthened, so that people in Wales can have the media they need.

**Recommendation 1.** The UK Government should develop policy and legislative proposals to give effect to the Ofcom recommendations in 'Small Screen: Big Debate', and ensure devolved administrations are fully involved in this work.

### 3. Public Service Broadcasters' content should be prominent and accessible

**8.** The current advantage enjoyed by the PSBs of enhanced visibility – prominence – on the Electronic Programme Guide (EPG) on televisions has been eroded as viewing habits have changed. Audiences are watching more TV on-demand and are increasingly likely to access content via apps or online. For instance, Ofcom's report says:

*'75% of online households in the UK now have a TV set that is connected to the internet via devices such as smart TVs, games consoles, streaming sticks and set-top boxes.'*<sup>2</sup>

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<sup>2</sup> **Annex 1: Ensuring PSM content remains widely available and prominent**  
**([smallscreenbigdebate.co.uk](http://smallscreenbigdebate.co.uk))**

9. Hywel Wiliam, Ofcom Advisory Committee for Wales, pointed out that almost 60% of households in Wales subscribe to Netflix and over half of the television sets in Wales access television through the internet.<sup>3</sup> In response to this trend, Ofcom said:

*'There is an urgent need for new, modernised regulation to ensure that audiences can continue to enjoy the benefits of public service media in the digital age.'*<sup>4</sup>

Ofcom is recommending a new on-demand availability and prominence regime. This would apply to:

*'TV platforms that are used by a significant number of people as their main way of navigating around and accessing a range of on-demand services from third-party providers.'*<sup>5</sup>

Those platforms would be required to:

*'make the PSM content offer available in line with new statutory objectives, which would include an objective to ensure PSM content is made appropriately prominent.'*<sup>6</sup>

10. All of those who contributed to the discussion agreed on the need to ensure PSBs are accorded prominence when people are choosing the content they want to watch, and agreed with the Ofcom recommendation for revised regulations for content platforms. For instance, Phil Henfrey, ITV Cymru Wales, said:

*'As audiences move to these new platforms, it's really important that they're able to find content about Wales the country and not whales the marine mammal.'*<sup>7</sup>

11. Owen Evans, S4C, said:

*'What we discovered, when we were lower down the EPG, was that going up 30 places on the EPG increased the number of people who watched your services, because you were visible. In the same way, when you pick up the remote control, Netflix and Amazon are there, but BBC, S4C and ITV aren't there. When you turn the smart tv on, there's a list of apps. Somebody picks where those apps go, and if S4C, ITV and BBC aren't on that list and aren't prominent on that list, then people will choose something else. So, it's vital that the PSBs have the right to have their*

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<sup>3</sup> Para 218, CCWLSIR transcript, 13 October 2021

<sup>4</sup> **[Annex 1: Ensuring PSM content remains widely available and prominent \(smallscreenbigdebate.co.uk\)](https://smallscreenbigdebate.co.uk)**

<sup>5</sup> **[Annex 1: Ensuring PSM content remains widely available and prominent \(smallscreenbigdebate.co.uk\)](https://smallscreenbigdebate.co.uk)**

<sup>6</sup> **[Annex 1: Ensuring PSM content remains widely available and prominent \(smallscreenbigdebate.co.uk\)](https://smallscreenbigdebate.co.uk)**

<sup>7</sup> Para 102, CCWLSIR transcript, 13 October 2021

*apps on these devices, but with the same kind of prominence as is given in the EPG, or people are just going to walk on by.*<sup>8</sup>

**12.** The difficulty of ensuring this happens in an age of global media provision was discussed. In response to a question on how prominence can be regulated for, Hywel Wiliam, Ofcom Advisory Committee for Wales, agreed that it was an international problem. He said:

*'It's not something that's just relevant to the UK or Wales. We have to think in European Terms, and perhaps in global terms, because these are global bodies, Google and Amazon and so on, and we need to be able to collaborate with nations worldwide to ensure the kind of prominence... you're talking about.'*<sup>9</sup>

#### Our view

The Committee heard of the importance of continuing to ensure that PSBs are prominently available to viewers when they are choosing what to watch or download, and how the shift from broadcast television viewing to on-demand services has negatively affected the accessibility of PSB content.

Maintaining this prominence will be challenging when on-demand content is provided by international streaming services that are currently outside UK legislation. However, there is scope to learn from other countries' attempts to tackle this problem. There is also scope to explore solutions with global corporations to facilitate easier access to PSB content.

Additionally, given the importance of PSBs to Wales, the regulatory regime which supports this broadcasting landscape also needs to be strengthened. We are not convinced that Ofcom Wales currently has the capacity to deliver on its responsibilities. Ofcom Wales needs the capacity to better understand Welsh audiences and the capacity to deliver regulatory solutions to ensure that Welsh audiences and Welsh users of services receive the services they require.

**Recommendation 2.** The UK Government should respond positively to the Ofcom recommendations that streaming platforms should be required to include, and give appropriate prominence to, public service broadcasters' content and to negotiate with PSBs. An effective enforcement and dispute resolution process should underpin these requirements.

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<sup>8</sup> Para 112, CCWLSIR transcript, 13 October 2021

<sup>9</sup> Para 226, CCWLSIR transcript, 13 October 2021

**Recommendation 3.** The UK Government should explore international examples of how the challenges from global streaming services and increased online viewing are being met in countries with a history of similar public service broadcasting models, and in countries with minority languages.

**Recommendation 4.** Ofcom's operations in Wales should be reviewed. If recommended, as a result of the review, additional resources must be provided by the UK Government to strengthen the regulator in Wales.

## 4. Funding and the need for strong PSBs in Wales

**13.** The debate on the future of PSBs in Wales has to address the fact that they cannot compete with global streaming services when it comes to funding. Wales benefits from a volume and quality of public service broadcasting that simply would not exist if market forces were relied on to serve the needs of Welsh audiences.

**14.** The role of PSBs in providing Welsh-specific information has been highlighted during the pandemic, when the legislative approaches across the UK's administrations have differed. The huge increase in viewing figures for PSBs during the pandemic has shown that audiences rely on PSBs to provide trusted, impartial, news and information. For instance, as the differences between UK administrations became more pronounced, the BBC made a 'clear commitment' to 'explain differences across the UK and to highlight to audiences when policies and regulations only apply to a specific nation in the UK'.<sup>10</sup>

**15.** The spending power of global streaming services and the inability of PSBs to compete was commented on. Gareth Williams, TAC, said:

*'If you look at the situation of Netflix committing to spending £750 million in the United Kingdom this year on new content for Netflix, well, that is more than the Channel 4 content budget in a year by some £100 million; it's significantly more, of course, than the content budget of S4C... competing against that work on the tariffs and the prices that are offered by PSBs is becoming more and more difficult'*<sup>11</sup>

**16.** Funding for the BBC and S4C will come wholly from the licence fee beginning with the next licence fee settlement period in 2022. The Department for Digital, Culture, Media and Sport

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<sup>10</sup> Written evidence from BBC Cymru Wales to the inquiry on the impact of the COVID 19 outbreak on journalism and local media

<sup>11</sup> Para 262, CCWLSIR transcript, 13 October 2021

has already begun the process of negotiations on the future cost of the TV licence, in November 2020.

**17.** In the report by the Culture, Welsh Language and Communications Committee: 'Exploring the Devolution of Broadcasting'<sup>12</sup>, the Committee called for Wales to have greater representation in the licence fee negotiations, and recommended an independent funding commission be established with distinct Welsh representation.

**18.** The need for a stronger voice for Wales in negotiations to ensure a fair funding settlement for PSBs, and S4C in particular, was highlighted recently by the sale of the rights to the live broadcast of the Autumn Rugby Internationals. In this case, S4C was outbid, meaning viewers in Wales can no longer watch these matches live.

**19.** Owen Evans, Chief Executive of S4C, said that the fact that people will now have to pay to watch the international matches live this Autumn was a 'retrograde step'. He said it was just 'a small example of what is likely to happen in the coming years'. He explained that S4C have traditionally used live sporting events to 'cross-advertise' their content to those who have less contact with the Welsh language, such as advertising programmes for children and learners and that this is something Amazon are unlikely to do. He said:

*'in future, I think there is a risk to the language and a risk to channels such as S4C, but also increasingly for the BBC and ITV, which are competing for these rights, that these people are encroaching where the PSBs traditionally are very strong and will just freeze us out of that space.'*<sup>13</sup>

#### Our view

The obligations on PSBs to cover a broad range of content, and not simply cherry pick the events likely to draw the largest audience, are at the heart of the public service broadcasting ethos. Without adequate funding to provide this diversity of content there is a danger that audiences will lose the shared cultural experiences we value the most.

The importance of the PSBs in providing UK-wide, impartial coverage has been evident from the increased reliance on news information from PSBs during the pandemic. An ability to provide accurate, trusted information to all parts of the UK, and Wales in particular, is at risk if PSBs are squeezed out of the market by international global streaming services.

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<sup>12</sup> **[Exploring the devolution of broadcasting: how can Wales get the media it needs? \(senedd.wales\)](#)**

<sup>13</sup> Para 136, CCWLSIR transcript, 13 October 2021

Currently the UK Government can make decisions about the licence fee with no input from the Welsh Government or the Welsh Parliament. The Committee is calling for greater involvement from the devolved administrations in the negotiations for the next licence fee settlement from 2022-2027. The Committee is also calling for a funding settlement which enables the PSBs to better compete with global streaming services with far greater funding power.

**Recommendation 5.** The negotiations on the funding settlement for Wales are an essential step to guarantee PSBs can continue to serve Welsh audiences by covering our shared cultural events and providing trusted news. The Committee is calling for a seat at the table for a Welsh representative in the negotiations on the next licence fee settlement from 2022-2027. The role of this representative should also be included as standard for the next round of negotiations.

## 5. The role of public service broadcasting in driving growth in the creative industry

**20.** One of the first recommendations from the Ofcom report is that the objectives for PSBs should be modernised in order to support the UK's creative economy. They recommend:

*'New legislation should secure and strengthen PSM's most important features: a broad range of programming that reflects all parts of the UK, and the ability to engage the widest possible audiences. There should also be a new objective to support the UK's creative economy.'*<sup>14</sup>

**21.** Due in part to the quotas on PSBs to commission content from independent production companies, Wales has developed a strong creative industries sector which has grown by a greater margin than in other parts of the UK in the last decade. Rhuanedd Richards, BBC Cymru Wales, told the Committee:

*'our creative sector in Wales is growing quicker than in pretty much any other part of the UK. Over the last 10 years, where the creative sector has grown in the UK by around 31%, in Cardiff and the surrounding regions, the growth has been 54%.'*<sup>15</sup>

**22.** Commenting on the importance of the quotas to Wales, Elinor Williams, Ofcom Wales said:

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<sup>14</sup> **[Recommendations to Government on the future of public service media \(smallscreenbigdebate.co.uk\)](https://www.smallscreenbigdebate.co.uk)**

<sup>15</sup> Para 152, CCWLSIR transcript, 13 October 2021



*'They have achieved a great deal in terms of ensuring that the public service broadcasters collaborate with the independent sector and ensure that the independent sector is a viable one and that the sector contributes a great deal to the creative economy in Wales and in the nations.'*<sup>16</sup>

**23.** She went on to say that legislation is needed to update the current model to 'ensure that we transition between the provision that's done so much for the traditional linear system to ensure it is then appropriate for the digital world.'<sup>17</sup>

**24.** PACT, the group representing independent UK content producers, told the Committee of the importance of PSBs to the creative economy in Wales. It wrote:

*'The UK PSBs (BBC, C4, ITV and Channel 5) are central to the production and broadcasting ecology, and many production companies based in Wales are solely reliant on the PSBs for commissions. For example, 70% of 'out of London' primary commissioning revenue is from UK PSB network commissions.'*<sup>18</sup>

**25.** It told the Committee that 'In 2020, the UK PSBs spent £1,168 million on UK commissioning, which accounts for 84% of UK commissions'<sup>19</sup>, noting that UK TV sector revenues had declined by £450m as a result of the pandemic. It went on to say that despite declining commissioning spend across the sector, the proportion spent on commissions outside of London grew to 45% and primary commission spend in Wales increased from 8% in 2019 to 15% in 2020.

**26.** Ruth McElroy, of the University of South Wales, highlighted the fact that productions for PSBs generate long term financial benefits for production companies whereas streaming services prefer to buy the rights to shows and therefore can profit from them indefinitely. She said:

*'Vitaly important for the landscape of creating productions by independent producers is the fact that they have been able to keep hold of the intellectual property that they create. The business models of Netflix and Amazon and so on mean that companies don't retain the IP.'*<sup>20</sup>

**27.** She also commented on the importance of PSBs in creating and sustaining jobs. She said:

*'Over 90 per cent of the content that has been commissioned in the past year from small companies in Wales has come from the public service broadcasters. What that*

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<sup>16</sup> Para 41, CCWLSIR transcript, 13 October 2021

<sup>17</sup> Para 41, CCWLSIR transcript, 13 October 2021

<sup>18</sup> PACT written evidence

<sup>19</sup> Pact Census, Oliver&Ohlbaum, 2021

<sup>20</sup> Para 270, CCWLSIR transcript, 13 October 2021

*means, particularly in terms of returning series, is jobs, and jobs outside Cardiff too. So, I think it's important... to think about what the role of PSBs is in terms of companies, but also in terms of jobs'.<sup>21</sup>*

#### Our view

The PSBs play a key role in supporting the creative economy, in particular, independent production companies in Wales. Without the commissioning role played by PSBs, this sector could lose momentum and struggle to compete on an international stage.

It would surely be vital to the UK Government's 'levelling up' agenda that these opportunities continue to be invested in across the nations and regions.

Ensuring the viability of PSBs will mean Wales continues to benefit creatively and financially from support for the creative industries outside London. The commissioning role played by PSBs which has been so successful under the traditional, linear, model, should be updated for the digital age.

**Recommendation 6.** The UK Government should recognise the importance of modernising the PSBs' objectives and update them to ensure they support 'the UK creative economy, driving economic benefits across the nations and regions'.

## 6. Viewing trends have a greater impact on Wales and the Welsh language

**28.** As viewers move away from accessing content in the traditional, linear manner from PSBs, there is greater personalisation of content and a less universal viewing experience. The Committee heard that there is less chance that viewers will access content that might show a more diverse range of experience in and about the UK.<sup>22</sup> Wales already suffers from a market failure in terms of content creation. Welsh viewers rely on PSBs to reflect their culture and language on a national level: without them, non-PSB commercial players are unlikely to cater for a minority language and what they might see as a relatively small audience. In this sense, Welsh viewers rely far more than viewers in the rest of the UK on PSBs for representation on screen.

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<sup>21</sup> Para 271, CCWLSIR transcript, 13 October 2021

<sup>22</sup> Para 259, CCWLSIR transcript, 13 October 2021

**29.** The PSBs highlighted the role they play in reflecting the life, culture and language of Wales. Phil Henfrey, ITV Cymru Wales, said:

*'viewers in Wales are really heavily reliant on public service content to get information programming about the country they live in... in today's digital age, public service content, like that created by ITV, is something that remains hugely important to viewers in Wales and, indeed, across the UK. Of course, the pandemic brought that into sharp relief. The fact is that we operate in a market that produces little or no content about Wales.'*<sup>23</sup>

**30.** Addressing the market failure to produce content about Wales, participants agreed that such content is unlikely to be produced by global streaming players aiming to attract international audiences.<sup>24</sup> Phil Henfrey, ITV Cymru Wales, argued that intervention, in the form of enacting the Ofcom recommendations, was the only response to the 'tsunami' faced by PSBs from global streaming services. He said:

*'Well, if nothing is done, I think you can safely say that the global giants will be just fine.' Will that serve viewers in Wales? ... They will produce content that will be consumed by people in Wales, but will that be content that reflects the lives of people in Wales? Will that be information that is relevant to them in a Welsh context? I think that is less likely.'*<sup>25</sup>

*At the heart of this is that what public service broadcasting does right now really matters to people in Wales, and Ofcom has come up with a new proposal for a new regulatory framework, which should enable viewers in Wales to continue to get content about Wales that matters in their lives.... it's really, really important that Wales's voice is heard within this, because we are constantly talking about global audiences and the globalisation of television, and there's a real danger that Wales's voice gets lost in this.'*<sup>26</sup>

**31.** Owen Evans, S4C, was asked what is needed to ensure S4C has a voice in the future landscape. He replied:

*'The Welsh language is important. Even though we're small, we're very important to the system in Wales. You said earlier on that things are done to us; well, our ambition is far greater than having things being done to us. So, we are in London, we are working with larger partners now to ensure that the voice of S4C does cut through. The most important thing is that the politicians can see that the Welsh*

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<sup>23</sup> Para 86, CCWLSIR transcript, 13 October 2021

<sup>24</sup> Para 102, CCWLSIR transcript, 13 October 2021

<sup>25</sup> Para 128, CCWLSIR transcript, 13 October 2021

<sup>26</sup> Para 129, CCWLSIR transcript, 13 October 2021

*language is important, that it's worth supporting, that it's worth dealing with within this new regime.*<sup>27</sup>

**32.** Elinor Williams, Ofcom Wales, was asked to comment on whether the Ofcom recommendations were too broad to protect productions in Wales, the portrayal of Wales and access to local news services. She said:

*'That is one of the core purposes of public service broadcasting, of course, namely the ability for citizens to see themselves presented and their lives reflected on the screen... We've seen the quota system providing for audiences during the past decade, and I think that what we need to ensure is that it works for the coming period. Netflix and Disney+ don't have any interest in producing content about Wales, nor certainly do they want to produce content in Welsh... I think it's something where we need to look at what we're good at and ensure that we do more of that in the future.'*<sup>28</sup>

**33.** In terms of accessing content, Phil Henfrey, ITV Cymru Wales, commented that these days most content is viewed online and controlled by 'gatekeepers that don't currently deliver content about Wales'.<sup>29</sup> Owen Evans, S4C, also commented on the difficulty of being seen on online platforms, He said:

*'one of the things that's very difficult to think about for the future is how people are going to access Welsh content, particularly through the medium of Welsh in future'*<sup>30</sup>

**34.** Rhuanedd Richards, BBC Cymru Wales, commented that the major companies responsible for controlling and managing content are unlikely to give prominence to Welsh content without some form of intervention. She said:

*'So, do you think seriously think that they would consider the needs of the Welsh language in that, or the needs of public service broadcasting in Wales? No. And that's why we need this legislation.'*<sup>31</sup>

## Our view

The Committee has previously heard that viewers in Wales are more reliant on PSBs for their news and information than viewers in the rest of the UK, and participants reminded the Committee that this has been heightened during the pandemic. Viewers in Wales are also

<sup>27</sup> Para 176, CCWLSIR transcript, 13 October 2021

<sup>28</sup> Para 66 and 68, CCWLSIR transcript, 13 October 2021

<sup>29</sup> Para 87, CCWLSIR transcript, 13 October 2021

<sup>30</sup> Para 89, CCWLSIR transcript, 13 October 2021

<sup>31</sup> Para 118, CCWLSIR transcript, 13 October 2021

reliant on PSBs to provide content and commentary that reflects the culture of this country, particularly the language, because without intervention, the market is unlikely to provide this content.

It is important that people in Wales receive accurate news about decisions that are taken about Wales and which affect Wales. We believe regulation needs to be proactive in delivering this.

The unique role of PSBs in educating, informing and entertaining viewers in Wales means that the effects of changes at a global level need to be considered across the nations and regions, not simply at a UK level. Discussions about policy and legislative solutions to the challenges of the digital age need to include the devolved administrations, and ensure that consideration is given to protecting Welsh language content and the representation of Wales.

**Recommendation 7.** The Department of Digital, Culture, Media and Sport and the Public Service Broadcasting Advisory Panel should include representatives from the devolved administrations in their discussions on policy and legislative solutions to the challenges facing PSBs in the digital age. Particular regard should be given to the need for intervention to ensure programming in the Welsh language, and content reflecting Wales in both languages, is safeguarded.

## Annex A: List of contributors

Transcripts of all oral evidence sessions can be viewed on the Committee's [website](#)

Date	Name and Organisation
<b>13 October 2021</b>	Meeting of the Culture, Communications, Welsh Language, Sport and International Relations Committee
	Caitriona Noonan, Cardiff University
	Ruth McElroy, University of South Wales
	Elinor Williams, Ofcom Wales
	Hywel Wiliam, Ofcom Advisory Committee for Wales
	Gareth Williams, TAC
	Owen Evans, S4C
	Phil Henfrey, ITV Cymru Wales
	Rhuanedd Richards, BBC Cymru Wales
	Written evidence was received from PACT