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FROM THE CHIEF EXECUTIVE

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S4C

HJ/mdd

27 July 2001

Ms Vanessa Brand
Broadcasting Policy Division
Department for Culture, Media and Sport
2-4 Cockspur Street
LONDON
SW1Y 5DH

Dear Ms Brand

BBC's New Digital Services: S4C Response

The purpose of this letter is to offer S4C's comments in response to the more detailed information the BBC has provided on its proposed new digital television services and which were circulated under cover of Andrew Ramsay's letter of 7 June 2001.

1. Scope of Public Service Broadcasting

1.1 **S4C would like to offer its strong support for the concept that the public should have, as of right, access to a rich mix of free television channels, provided by a number of organisations, and that these should include both general services of entertainment and information aimed at the whole population and specialist services directed at certain key audience groups.**

1.2 **S4C believes that the BBC has a key and central rôle to play in ensuring this provision.**

1.3 **S4C also believes that commercial operators have a legitimate right to know the nature of the services which are to be provided free by publicly funded broadcasters and by those broadcasters who enjoy privileges in exchange for fulfilling public service obligations, so that they can assess the viability of projects of a purely commercial nature, but we do not believe that public service broadcasting should be confined to the task of correcting market failure. Rather, commercial provision should build on a strong, comprehensive and universally available public service base, extending choice and providing competition without creating deprivation.**

1.4 The decisions which will be made in response to this consultation, coupled with

(a) any review of C4's remit

(b) any regulatory changes to ITC licensee's programming commitments

(c) decisions regarding S4C funding

will effectively constitute the Government's definition of Public Service Broadcasting in the UK until BBC Charter Review. These decisions, taken together, are arguably more crucial in terms of securing the availability of a wide range of indigenous UK programming than any others which will be the subject of the Communications Bill.

2. The context of viewing

2.1 S4C believes that the extension of choice which digital television has made possible is of great benefit to viewers. In Wales, the creation of an extended Welsh language service, together with making Channel 4 and Channel 5 available in many areas for the first time, has led to a greater degree of digital take-up than in the UK as a whole. However, it is still clear that very many viewers, possibly the majority, are not sufficiently convinced of the advantages of digital to incur the additional costs involved. To a very large extent they are content with the free-to-air provision which they currently enjoy across all analogue channels. S4C does not believe it legitimate or desirable for services in any way to decline in quality or in range so as deliberately to "drive" analogue viewers to digital.

2.2 It is important therefore that the BBC's proposed new services be based on their providing a genuine extension of free-to-air availability of content which is strongly desired by certain sections of the population and which is currently precluded by lack of capacity on BBC1 and BBC2. This is the philosophy which S4C has embraced in providing an extension of the Welsh language service on S4C Digital – retaining the concept of a broad ranging and popular service during peak simulcast hours, while targeting narrower audience sectors in digital off-peak hours (to the extent that resources can be made available).

3. Specific services

3.1 There may be audience segments and interest groups other than those targeted in current proposals which could make a case for extended provision on digital. These might include, for example, older viewers. However, **S4C believes that the BBC has correctly identified areas of key importance where there is a need either to secure a high level of indigenous production, as in the case of youth-orientated and children's channels, or a strong case for greater availability, because of scheduling constraints, as in the case of arts and culture.**

3.2 BBC3

S4C shares the concern that children and young people in multi-channel homes tend to turn away from the public service channels and to be drawn to commercial channels whose content may well depend on a high degree of non-indigenous production. The emphasis placed upon drama and factual content in this proposition indicates that such a service would be genuinely distinctive and would engender interest and loyalty to home grown creativity.

3.3 Children's Channels

3.3.1 In responding to this proposal, S4C has been in some difficulty. Having been encouraged by the 1996 Broadcasting Act to discover additional sources of commercial revenue, S4C Masnachol (our commercial division) spent a considerable amount of time and money between 1997 and 1999 developing a project called The Nursery Channel. The intention was for this to be a digital subscription channel aimed at pre-school children, based primarily on high quality UK programming, for which there was perceived to be a gap in the market. By February 1999 carriage proposals had been received from all platforms and the project was ready to go. Soon afterwards, one of the platform operators with whom a carriage deal had been negotiated and agreed, told us that they had been given to understand that the BBC intended to provide a channel of a very similar nature. Why should they therefore pay us a percentage of their subscription revenues when they could offer their viewers such a channel free? Despite receiving a letter from John Birt to confirm that the BBC's only proposition in respect of children's channels was for a general children's channel, not a pre-school channel, the damage had been done and despite all our efforts to restore the carriage agreement, we were unable to do so on terms consistent with an acceptable business plan for the Nursery Channel. As a result, the Nursery Channel did not launch.

3.3.2 Our experience clearly shows that new services by the BBC, and, indeed, the possibility of new BBC services, can impact severely on the commercial sector.

3.3.3 Nevertheless, **having given the matter much consideration, we have formed the view that the benefit to the public of the availability of high quality, free-to-air channels for children outweighs the short term negative effects on commercial operators.**

3.3.4 We believe the commitment towards an educative element to the programming proposed for children, along with an emphasis on learning through play is a particularly valuable aspect of the BBC's proposals. They will reinforce the ability of television to play a positive part in support of the early development of children from all backgrounds. The provision of such a service on a free-to-air basis will ensure that its benefits are available to all, regardless of income. S4C welcomes the commitment to further investment in indigenous animation – an area in which S4C has a particularly successful track record. The new service should provide extended opportunities for indigenous co-productions.

3.4 **BBC4**

The creation of a publicly funded channel dedicated to cultural and factual programmes should provide a genuine extension of choice and an opportunity, too infrequently enjoyed at the moment, to give greater coverage to content from different parts of the UK as well as to the UK's different ethnic groups. We note that extended coverage of national events in Wales is already a key element of S4C's digital provision.

4. Developing Young Talent

As well as strengthening the UK's audio-visual industries, the increased expenditure on programmes proposed by the BBC should lead to an expansion in the creative opportunities available to young writers and performers. In the medium term, this offers the prospect of making an important contribution towards ensuring that the UK can maintain its prominent world rôle in relation to music, literature, drama and the creative arts more generally. **Steps should be taken to ensure that these benefits work in the interests of all parts of the UK and not in such a way as to draw talent from the nations and regions to the centre to an even greater degree than at present.**

5. Neutral effect on existing BBC Services

5.1 In considering the public interest justification for the current proposals, account must also be taken of whether or not their introduction will have a negative effect on the BBC's ability to sustain the quality of existing services. The importance of this question is increased by the fact that the new services will only be available to digital viewers while existing services are available to a much greater number of analogue viewers.

5.2 S4C's experience in this respect is not encouraging. In the period 1995–2000, figures published by the BBC in its annual reports indicate that spending by the BBC on Welsh language television programming has reduced from £17.6m in 1995/96 to £16m in 2000/01. In terms of a percentage of total BBC income this represents a reduction from 0.79% in 1995/96 to 0.51% in 2000/01.

5.3 Against this background, **S4C believes that any decision to proceed with the new services should be conditional upon clear commitment to maintain and strengthen existing core services, including programmes in Welsh.**

6. Services in the Welsh language

6.1 The BBC has historically made an important contribution to broadcasting in the Welsh language. This is enshrined in the current arrangement that provides for the BBC to produce ten hours of programmes in Welsh to be broadcast on S4C every week. The arguments in respect of extended choice and enriching public service provision through digital television, which have been made by the BBC to underpin their proposals for new services, can equally be made in respect of the need to use available digital capacity to extend and enrich provision in the Welsh language. Indeed, the argument has even greater force given the ever-more intensively competitive nature of provision on the

main free-to-air channels during peak hours and the increasingly diverse expectations of Welsh-speaking viewers as to the nature of the Welsh language service or services which should be made available to them.

6.2 It is therefore a matter of regret that, to date, the BBC has not seen fit to put forward proposals which will allow them to extend their provision of television programmes in the Welsh language, an extension which would act as an extremely important enrichment of the existing S4C Digital service.

6.3 **S4C would argue strongly that the increase in general English language programming that these proposals represent**, in line with the BBC's more general commitment to the nations and regions **should be accompanied by an increase in the number of hours produced by the BBC for the benefit of Welsh speaking viewers**, as well as an enhancement of the resources made available for programmes provided within the statutory ten hours.

7. **Future proposals**

The most unfortunate part of our experience with the Nursery Channel was the "planning blight" effect of trying to operate in an environment of rumour and uncertainty and consequently wasting time and money. Our view, therefore, is that following this consultation process and the decisions which result from it, **proposals for any further new licence-fee funded television services which might have an impact on commercial operators should be held back until Charter renewal and the wider-ranging consultation which will precede it**.

It may well be that S4C is in a unique position in that the BBC is, at different times, its collaborator, partner, supplier and competitor. We hope the above comments represent an honest attempt to reflect upon the complexity of the issues raised, the resolution of which will have a crucial impact on the future shape of television in the UK.

We have no doubt that an ambitious, ground-breaking BBC, committed to serving every part of the UK audience in the digital age is to be desired, encouraged and supported.

Yours sincerely

Huw Jones
CHIEF EXECUTIVE