



## About the Media Reform Coalition

Since 2011, the Media Reform Coalition has been at the forefront of the media reform movement, producing evidence and giving oral testimony to a broad range of public enquiries into the media. Our particular concerns relate to media accountability, democracy and pluralism and the future of public service media is central to much of our research, analysis and advocacy.

For the past year, the Media Reform Coalition has been running the *BBC and Beyond* campaign (funded by the Joseph Rowntree Charitable Trust) developing a vision for a media system fit for the future. Our broad-based consultation engaged 30,000 people from all the home nations and across the UK, out of which we created a *Manifesto for a People's Media*, which includes proposals for supporting independent media, as well as transforming the BBC and Channel 4. This response draws on the wide-ranging views and perspectives from across civil society that we encountered through this consultation.

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

UK broadcasters confront a variety of issues, including cuts to funding, diminishing advertising revenue, long-term declines in audience share due to increased competition from well-funded online streaming services, and significant programme cost inflation due to increased rivalry for talent and production resources. However, while there are issues in the contemporary TV broadcasting industry, the solutions rest largely with the UK government, and are not covered by the remit of the government of Wales, affording Welsh residents minimal say in these matters. Furthermore, there is currently no public broadcasting organisation directly responsible to Welsh residents. S4C, for example, reports to Westminster Parliament via the UK government Secretary of State for Culture, Media, and Sport.

The state of broadcasting in Wales poses a major challenge. Wales suffers from an information gap as Welsh people do not adequately receive news programming about Wales or Welsh politics. For example, only an insignificant amount of Welsh citizens read Welsh-denominated newspapers. Rather, Welsh people primarily turn to UK-wide sources for their news.<sup>1</sup> As Wales has never truly had a national Welsh daily newspaper, Welsh citizens largely read English publications that rarely discuss Welsh politics or Wales in general. BBC Wales controller points out that “despite nine in every ten adults saying they have a real interest in news about Wales, our latest survey found just half of adults in Wales could name which party was in government at Cardiff Bay, and only 31% could name Wales’ First Minister unprompted”.<sup>2</sup> This democratic deficit is why public service broadcasting services

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<sup>1</sup> Marine Furet, “A New Public Square: For a Welsh Media That Serves People and Communities,” Institute of Welsh Affairs, June 15, 2022, <https://www.iwa.wales/agenda/2022/06/welsh-media-launch-public-interest/>.

<sup>2</sup> Ruth McElroy, “The Future of Media in Wales: Policy Challenges,” Media@LSE, April 27, 2017, <https://blogs.lse.ac.uk/medialse/2017/04/27/the-future-of-media-in-wales-policy-challenges/>.

matter so greatly, and why the real-term cuts to them pose further challenges to an already precarious situation.

Furthermore, the rise of subscription video on-demand (SVOD) services online is transforming TV and video viewing in the UK, posing another problem for public service broadcasting. Between 2017 and 2020, SVOD viewing increased as a share of total video viewing from 6% to 19%. The shift was driven by 16-34s, among whom SVOD viewing increased from 11% to 29%<sup>3</sup> and for whom SVOD viewing in 2020 accounted for more viewing minutes per day on average (91) than all live TV viewing (65), YouTube (72), games console use (33) or broadcasters' video-on-demand services (11).<sup>4</sup>

The BBC has also faced ever-increasing challenges to its funding making it less and less able to fulfil its public mission. The BBC saw real terms funding cuts of 30% between 2010 and 2020 as a result of licence fee freezes and having to bear the cost of free licences for the over 75's - cuts which may increase to 34% by 2028.<sup>5</sup> These cuts create uncertainty about the future vitality of Welsh public broadcasting. They have also had serious consequences for Welsh language public broadcasting leading to a decrease in production quality, factual programming and current news, which was already in a precarious position in Wales. For example, in 2015-16 BBC Cymru Wales' television output (barring repeats) was 641 hours, compared with 814 hours in 2006-7, a 21 per cent drop.<sup>6</sup>

Following cuts at the BBC and the demise of ITV Wales production, the Institute of Welsh Affairs has stated that English-language television in Wales is in crisis and requires an immediate investment of £5 million into BBC Wales to allow the service for Wales to flourish: “[t]he BBC should continue to enhance its contribution to Welsh culture and society, and has a particular obligation to do so, now that ITV Wales output has collapsed”.<sup>7</sup> The BBC's own Audience Council for Wales asserted that, “cuts have brought the BBC Wales non- news television provision closer to the cliff edge”.<sup>8</sup> To ensure the BBC can deliver creative, diverse, high-quality programmes and accurate and impartial news, current affairs and factual programming, it must receive adequate and secure public funding that is independent of all UK-wide governmental control.

The Media Reform Coalition suggests that funding needs to be set by an independent body so it is not influenced by political agendas. The BBC's public funding levels should be determined by a fully independent body that is protected from government interference and can respond swiftly to market pressures and technological change (such as the rapid growth of streaming services). We argue that the BBC's Royal Charter should be replaced with a proper legal structure for public service media so that its remit and constitution can be properly scrutinised by Parliament rather than unilaterally changed by government. After this, future changes should be made through regular reviews, which are voted on by license fee

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<sup>3</sup> Ofcom, *Media Nations: UK 2021*, 5 August 2021, p.42

<sup>4</sup> Ofcom, *Media Nations: UK 2021*, 5 August 2021, p.42.

<sup>5</sup> Enders Analysis, *BBC licence fee settlement: A diminished TV ecology*, 10 September 2021

<sup>6</sup> National Assembly for Wales, “National Assembly for Wales Culture, Welsh Language and Communications Committee Culture, Welsh Language and Communications Committee the Big Picture the Committee's Initial Views on Broadcasting in Wales,” 2017, <https://senedd.wales/laid%20documents/cr-ld10916/cr-ld10916-e.pdf>.

<sup>7</sup> Institute of Welsh Affairs, “IWA Calls for BBC Funding Switch to Wales,” Institute of Welsh Affairs, June 3, 2010, <https://www.iwa.wales/agenda/2010/06/iwa-calls-for-bbc-funding-switch-to-wales/>.

<sup>8</sup> BBC Audience Council for Wales, *Wales Annual Review 2014-15*

([http://www.bbc.co.uk/bbctrust/who\\_we\\_are/audience\\_councils/wales/wales\\_annual\\_review/wales\\_annual\\_review\\_2014\\_15.html](http://www.bbc.co.uk/bbctrust/who_we_are/audience_councils/wales/wales_annual_review/wales_annual_review_2014_15.html))

payers. We propose that the current licence fee be replaced with a progressive licence pegged to household council tax bands, so that wealthier people pay more.

S4C funding was guaranteed through a government grant, which has changed in the last decade where it receives its majority of funding from the licence fee. Since 2013, 90% of S4C's revenue originates from the licence fee agreement between the S4C Authority and BBC Trust, which is in agreement until 2022. As of 2022, all of S4C's funding comes from the license fee. Due to this change, the BBC assumes responsibility for the majority of S4C's funding: while S4C has some powers to produce its own commercial income through advert sales, this only amounts to around 2% of the channel's funding. While S4C will receive an extra £7.5m injection, this is not a real increase in funding as this is still considerably less than it received in 2010. This new agreement also comes at a time when the BBC's licence fee has been frozen until 2024.

Since 2010, S4C has endured budget cuts of at least 36% in real terms, which is partly responsible for the channel's high volume of repeats. This creates a bleak picture for Welsh language TV as it has very little funding security, often on a short-term basis. Dyfrig Davies, chair of the representative body for independent production firms in Wales, TAC, notes that "[t]his generates huge economic and cultural value including for Wales and we have great concerns about this decision and the effect it will have on the creative industries at a time when they are still recovering from the effects of the Covid-19 pandemic".<sup>9</sup>

Alongside the BBC and S4C, Channel 4 is another crucial element of the PSB ecology within Wales; an essential piece of its current remit is to provide content for underserved and minority audiences such as those resident in Wales. Channel 4 is currently funded via direct sales of advertising, primarily television advertising which is in long-term decline. While the corporation has plans underway to its Future4 programme to increase the amount of revenue coming from online advertising sales, this is a space in which they are in direct competition with SVOD services and is likely to create less funding security and more volatility.

The Media Reform Coalition has proposed that the best way to secure the long-term future of Channel 4 is via a cross-platform digital advertising levy. In 2020 total UK advertising spending online was £23.5 billion, despite the pandemic.<sup>10</sup> A 5% tax would raise in the region of £1-1.2 billion - more than enough to support a considerable increase in the commissioning budget and deliver advertising-free minority programming across all platforms. A tax on all forms of advertising would be equal across formats and spread across a range of parties (including Google and Facebook, who accounted for 80% of online ad spending in the UK last year).<sup>11</sup> Levels for this funding stream should be set by an independent body – potentially the same one determining the levels of the BBC licence fee – to insulate it from political pressures.

Additionally, a tax on Pay-TV and subscription streaming services, such as Sky, could be incorporated into this small levy to help increase UK public broadcasters' budgets and capacities. Ofcom estimates that online subscription entertainment and audio-visual services

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<sup>9</sup> Branwen Jones, "S4C to Get Extra £7.5m from the UK Government," WalesOnline, January 18, 2022, <https://www.walesonline.co.uk/lifestyle/tv/welsh-language-broadcaster-s4c-extra-22784767>.

<sup>10</sup> According to AA/WARC data. See IAB UK, 'AA/WARC: Ad market set for strong rebound', 29 April 2021

<sup>11</sup> Total UK ad spending was £15.5 billion in 2010, according to AA/WARC data, meaning the ad market has grown by 51.6% over the past decade.

in the UK generated £3.4 billion in revenue in 2020 (although this includes music streaming services like Spotify). Combined with Sky's estimated £13 billion in annual revenue in 2020, this could provide another source of funding for the UK-wide production of PSB programmes, putting PSB in a far better position to compete with the mainly ad-free US streaming giants.

The result would be greater investment in programming made by the UK's independent production sector and film sector, which could be targeted in the nations and regions outside of London and the south-east. A sustainable and independent funding system like this will enable us to maintain and ensure a successful and dynamic broadcasting industry in Wales and the UK in general.

## *2. What impact will the privatisation of Channel 4 have on the broadcasting sector in Wales?*

Channel 4 plays a crucial role within the Welsh broadcasting sector. Its unique status as a publisher-broadcaster which commissions entirely from independent production houses has helped to grow and develop businesses across Wales. Analysis from Teledwyr Annibynnol Cymru (TAC) has shown that in 2019 Channel 4 contributed £20 million to GVA in Wales and supported 200 jobs.<sup>12</sup> A publicly-owned Channel 4 has helped represent and reflect Welsh lives while also investing in the domestic television sector.

The likely impacts of privatisation are entirely negative - as reflected in the 60,000 public responses to the government consultation in 2021, 96% of which opposed the change.<sup>13</sup> Privatisation in other industries has often resulted in worse services and higher prices, as organisations are operated in the private interests of their shareholders rather than in the interests of the general public.<sup>14</sup> The government has not provided any proof that privatising Channel 4 will benefit the public or how the common negative outcomes associated with privatisation would be avoided. While the government has argued that the changes necessary in order to secure the Channel's long-term future, it will not solve the problem of the long-term decline in television advertising revenue while adding additional financial strains of having to generate profits for shareholders. MRC believes that a cross-platform advertising levy set by an independent body is a more viable long-term funding mechanism, as described in our answer to question 1.

Privatising C4 will threaten its financial sustainability and reduce its public service mission, as surpluses will no longer be spent on commissioning more or better programmes but instead be distributed as profits.<sup>15</sup> This will undoubtedly result in a decrease in both the number and quality of output in unprofitable but socially significant genres such as news and current affairs for particular UK nations and regions. News and current affairs are rarely

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<sup>12</sup> Nation.cymru, Welsh TV producers concerned at impact of Channel 4 privatisation plan, 5 April 2022

<sup>13</sup> DCMS, Consultation outcome: Government response to the consultation on a potential change of ownership of Channel 4 television Corporation, 18 July 2022

<sup>14</sup> See, e.g. Massimo Florio, *The Great Divestiture: Evaluating the Welfare Impact of the British Privatizations, 1979-1997*. MIT Press 2004.

<sup>15</sup> According to the commercial research firm Enders Analysis, "We believe that it will be difficult to maintain the remit with a new buyer paying any more than a meagre sum, and even if that happens, a profit-oriented buyer will have incentive to game the obligations." See Enders Analysis, *Channel 4: Privatisation*, here we go again, 22 June 2021, p. 1

lucrative unless they appeal to extremely wealthy audiences, and in the private sector, they have relied on cross-subsidy from more profitable material.

Channel 4 essentially operates within this cross-subsidy model, where programmes that attract lots of viewers at a relatively low cost are used to fund more expensive programmes that better fulfil Channel 4's PSB responsibility, such as news and current affairs programmes, including Welsh-focused programmes. Privatisation would lead to the reverse: a for-profit Channel 4, whether independent or acquired by a larger, commercial media conglomerate (likely from the United States) would make the minimum of PSB content it is required to while focusing on maximising advertising revenue.

A privatised, for-profit Channel 4 will likely result in less creative and compelling material, emphasising generic, low-cost programming such as reality TV which is of less relevance to those resident in Wales. Audiences will be less well informed since Channel 4 is less likely to invest in news and current affairs, which are among the most expensive programmes to produce. It is likely that a commercial buyer will try to change the publisher-broadcaster model in order to be able to run their own programmes, jeopardising the investment that independent production houses – including those based in Wales – currently receive from Channel 4. In addition, the Channel's remit to create content for underserved and minority audiences is likely to be watered down, reducing its obligations to produce Welsh-focused programming.

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

Public service broadcasting is based on the principle of universality - that media institutions should be accessible to all, including the interests and needs of minorities. According to Ofcom:

*'Public service broadcasters differ from other commercial broadcasters in that they are required to provide services that fulfil societally valuable purposes across their range of programmes, including the provision of genres of particular societal value ... Other content providers may (and do) produce programmes which have societal value, but they do not have an obligation to do so and the continued provision of such content will always be determined by its commercial viability. ... Some genres will tend to be underprovided by the market, such as news (including regional news), arts, religious and children's programming due to a range of commercial factors. Without a regulatory intervention, there may also be limited provision of content that has a uniquely UK cultural perspective or sensibility as these tend not to sell well to other markets.'*<sup>16</sup>

While the technological and social context in which media is produced and consumed has significantly changed in recent decades, this core argument about the necessity of public media remains as relevant as ever. As demonstrated during the pandemic, universally available programming with a core mission to serve the public interest remains an essential public good. Netflix and the Disney Channel may have *entertained* audiences, but neither

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<sup>16</sup> Ofcom, 2020. *Small Screen: Big Debate Consultation – Annex 6. Why public service broadcasting still matters*, 8 December.

was able to *inform* or *educate* the different publics within the UK – which was especially important at a time of local lockdowns and widespread disruption of schooling.

In addition, the kind of entertainment being produced by streaming services tends to be culturally generic in order to be marketable to the largest international audience. As noted by Enders Analysis, Netflix shows produced in the UK contain few specific cultural references, idioms or regional accents.<sup>17</sup> For Welsh audiences, they are unlikely to see their lives or experiences reflected in the programming being produced, with a show like *Sex Education*, for example, giving no indication in its content that it was partly filmed within Wales. Far from making PSB obsolete, the growth of streaming services makes it clear how important it is to support distinctive, locally produced programming aimed at the UK's diverse audiences.

Rather than focussing on how our public broadcasters can compete with the streaming giants, MRC has proposed an alternative path forward which seeks to revitalise these institutions through public participation. As proposed in our *Manifesto for a People's Media*,<sup>18</sup> we believe that the BBC and Channel 4 should be devolved and democratised, with new mechanisms created to allow citizens across the UK far greater voice and representation within these institutions. Budgets for all forms of content (not just news) should largely be controlled at the devolved national or regional level, with different parts of the UK collaborating with one another to produce more expensive types of programming such as high-end dramas.

We have proposed that a network of Citizen Media Assemblies (CMAs) should be established to sit alongside these devolved institutions and facilitate participation. Within Wales, this would mean the Welsh CMA working closely with BBC Wales, Channel 4 Wales and S4C to enable citizens to play a democratic role within these institutions. Participation could take a variety of forms, including electing representatives to regional/devolved national or UK level boards, assembling citizens juries to oversee news coverage of controversial issues, deciding how the local iPlayer should work, or creating processes for participatory commissioning.

We believe that this kind of democratic restructuring is crucial for engaging younger audiences and building long-lasting relationships between them and public media institutions. When younger audiences are seen (as in this question) solely as 'consumers' of media content choosing between different consumer products, it is hard to see how increasingly cash-strapped domestic public broadcasters can compete for their attention with streaming services, gaming or social media platforms. However, if this relationship is founded upon democratic participation and citizenship, this is terrain in which UK-based public media institutions have clear advantages over tech giants and US-based media conglomerates.

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

The Department for Digital, Culture, Media and Sport's recent White Paper proposes a guaranteed broadcasts of listed sporting events as a PSB-specific benefit, and recognises the importance of free-to-air listings so that sporting events can be enjoyed by as wide an

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<sup>17</sup> Enders Analysis, *Outsourcing culture: When British shows aren't 'British'*, 9 March 2021

<sup>18</sup> Grayson, D. *Manifesto for a People's Media*, MRC, 2021

audience as possible. MRC welcomes these proposals as fulfilling key principles underpinning PSB: ensuring universality and prioritising the public interest over commercial considerations.

As well as providing access to sports which are already widely sought-after, free-to-air broadcasting can help grow audiences for sports which have not yet achieved mainstream popularity. The growing popularity of women's football, including the record breaking 17 million viewership in the UK for the final of the Euro 2022 competition,<sup>19</sup> would not have been possible if these games have been behind a subscription pay wall. Similarly, Channel 4's decision to significantly invest in promoting the 2012 Paralympic games helped shift perceptions of disabled participation in sport and create a far larger audience for future events. Free-to-air sporting broadcasting is vital to maximising sport's social and cultural value, and we believe it is essential for PSBs to continue providing wide access to national sporting events.

Alongside expanding the listings, the survival of free-to-air broadcasting requires public service broadcasters to have a sustainable funding base. As noted in our answer to question 1, the MRC has proposed that the BBC should be funded through a progressive licence fee so that wealthier households pay more, and that Channel 4 should be funded via a cross-platform advertising levy, with both funding mechanisms set by an independent body to ensure that they are free from government interference.

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

We have opted not to answer this question as MRC's expertise is around media policy rather than sports policy.

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<sup>19</sup> Mark Sweney, "[England's Euros Triumph Draws Record TV Audience of 17m.](#)" the Guardian, August 1, 2022