

## **General comments**

The Welsh Government is hugely disappointed with Ofcom's revised proposals, a feeling shared by the independent production sector and stakeholders both in Wales and across the devolved nations. The level and speed of the increase as set out in the consultation document continue to fall far short of our expectations. We restate our call for a faster increase and for licence proposals that require Channel 4 to demonstrate a genuine commitment to the sector and audiences in Wales and that give substance to the channel's claim that celebrating regional diversity is a core pillar of its purpose.

## **Re-licence proposals**

We note the argument in the latest consultation document that Channel 4 requires a level of flexibility as it faces the dual challenges of adapting to new modes of content delivery and extremely difficult financial circumstances. We recognise and accept that Channel 4, alongside other public service broadcasters, are facing a period of uncertainty as the sector continues to face budgetary constraints in the context of ever changing audience consumption habits, an increasingly global market and updated regulatory framework.

However, there appears to be limited evidence in the consultation document as to why 2030 is the earliest date at which a 12% Out of England quota for Channel 4 can be reached, with no apparent analysis to justify the length of this delay or why Ofcom has not considered a more staggered increase. Ofcom's case appears to be primarily based on information presented by Channel 4, rather than the evidence presented by the independent production sector itself. O&O research recently commissioned by Pact calculates Channel 4 would require an additional £4-7 million of investment in the nations per year from 2025 – 2027 to meet a 12% quota. It has been indicated that Channel 4 could divert some spend on new London commissions to the nations, rather than moving returning series or substantially increasing its content budget.

The digital shift is not a new trend, and we note broadcasters will have been working on approaches to pivoting to new models of content delivery for some time. We would argue a target date of 2030 poses the risk of insufficient planning for any digital switch over by 2030, raising concerns that a gap in more stretching quotas leading up to this period would impact the levels of investment in sustaining the indigenous production sector in the short term, leaving the sector less able to respond to any increase in demand in 2030.

We call for the 12% quota for Out of England production as suggested by Ofcom to be delivered by 2027, followed by a further target of 16% by the end of the licence period. The pace at which this should be achieved across the remaining period should be decided in 2027, allowing time for further planning and modelling towards the more stretching target, in the context of ongoing market changes. These quotas should incorporate mandatory individual nation targets by 2027, to ensure that all nations and regions of the UK equitably benefit from Channel 4 investment in production and content. Nation specific quotas should be pro-rata to the nations share of the overall UK population. Our view is that 16% is a fair figure, recognising

that around 16% of the UK population live in Wales, Scotland and Northern Ireland. Channel 4's existing, voluntary, 50% Outside of London quota should also become a condition of its renewed licence.

Ofcom's own evidence highlights the positive impact of higher quotas on audiences and the industry across the nations. Data on delivery of quotas to date also points to the effect of quotas and the need for separate targets at a nation level. Ofcom's own analysis of Channel 4's recent delivery against its quotas highlights how the broadcaster was exceeding its hours target, with a figure of more than 10% between 2017 and 2019, but this figure has fallen year-on-year since the introduction of the 9% target in 2020.

We note the suggestion that the nations are ill-equipped to meet any increased demand as a result of higher quotas. We refute this claim. Wales is home to a booming screen industry. A Creative Industries Policy and Evidence Centre Creative Clusters Case Studies report, published in June 2022, identifies Cardiff, after Greater London and Manchester, as the third largest film and TV cluster in the UK. 2022 data confirms the industry continues to contribute the largest amount to Wales' creative sectors with a turnover of £459m, an increase of 37% since 2017. Wales based production companies regularly produce original content of exceptional quality suitable for other broadcasters and streamers across multiple genres and attracts major global productions such as Sex Education, Willow and House of the Dragon, with Disney, HBO and Netflix choosing to locate their productions in Wales due to our reputation for quality, skilled talent and majestic locations. We are confident the sector in Wales is equipped to manage any increase in demand from Channel 4. We're disappointed that a UK broadcaster appears to have less confidence in its own sector than global players.

We note Ofcom's concern that any move to parity of commissioning across all four home nations would have a negative impact on the sector in England. Whilst we recognise any rebalancing may impact on existing structures in the short term, ultimately any decision taken by Ofcom must be based on the principle that a UK publicly owned public service broadcaster should deliver for audiences, talent and the creative economies across all four home nations in an equitable way, favouring no single nation.

### **Reporting of Made outside of England production in Channel 4's Statement of Media Content Policy**

We agree Channel 4 should publish more information about its approach to delivery in the nations, and on the impact that this may have on both producers and audiences across the UK. We agree this should cover the three areas set out by Ofcom in the consultation document as follows:

- how its approach to commissioning outside of England supports and stimulates the TV production sector in the nations;
- its strategy for commissioning in each individual nation over the next year and how it delivered its strategy for the previous year; and
- its plans to engage with stakeholders and audiences in the nations in the next year and how it engaged with them over the previous year.

In line with any commitment to increase the Out of England quota to 12% by 2027 and 16% by the end of the licence period, Channel 4 should also be required to produce annual progress reports on delivery against alongside its annual strategy reports.

Noting the different structures and circumstances, and the different commissioning experiences, across nations, this information should be set out separately and cover a bespoke commissioning strategy for each of the nations and should recognise there may be different actions that need to be taken in Wales. In Wales, a more structured and formalised engagement with the independent production sector is essential. Unfortunately, the 4AlltheUK strategy is not working for Wales, as is reflected in figures from Ofcom's Media Nations Wales 2024 report, which highlights how network production in Wales for Channel 4 decreased in 2023 (network hours decreased to 3.8% and spend decreased to 3.4%). In comparison, the BBC, which produces the largest proportion of qualifying network content in Wales, increased its network spend in Wales to 7.9% in 2023, while increasing its proportion of hours to 6.4%.

With no Wales hub at Channel 4, unlike in England and Scotland, and with the closest hub in Bristol demonstrating limited engagement with Wales, Channel 4 should be expected to produce a comprehensive strategy for engaging with our sector. There have been recent examples of Channel 4 commissioning London based production companies to tell Welsh stories rather than engaging with Welsh companies directly. In addition, there has been an example of Channel 4 paying less to acquire a second series of a Welsh drama despite the first series being hugely successful. As such, the commissioning strategy should aim to genuinely develop the indigenous ecosystem, avoiding lift and shift, to significantly improve Channel 4 commitment to Welsh supplier development. This should be supported by clear and easily understood requirements for what can count towards a broadcaster's out of England production quota.

Better engagement and an increase in commissioning direct with the production sector in Wales should support improved portrayal and help to improve viewing trends and audience figures. Insights from Ofcom's Media Nations Wales 2024 report show how improvements are needed to ensure audiences in Wales are better served by Channel 4. In 2023, Channel 4 had the lowest audience share of any individual PSB channel, at 3.5%, the lowest of all the UK nations, with 39% of adults and teens in Wales saying they had used Channel 4 streaming, compared to 65% using BBC iPlayer in the three months prior to fieldwork. In addition, Channel 4 saw a decrease in 2023 in viewers' satisfaction, compared to 2022, and viewers in Wales were less likely than the UK total to say that Channel 4 delivered 'well on 'regional programmes that keep me informed about my area' (25% vs 32%).

We note the limited accountability of Channel 4 to Wales. Any refreshed structure to monitor delivery of the requirements of a new licence must include mechanisms to hold Channel 4 to account. Where Channel 4 engages with Welsh stakeholders, whether this is through meetings with Ministers or Ofcom's Advisory Board in Wales, representation from Channel 4 should come from a senior, decision making level. While we recognise that broadcasting is a reserved matter in the UK and the

independent nature of public service broadcasters, we believe there should be more engagement between Channel 4 and the Senedd, as is the case with other public service broadcasters who regularly provide evidence to the Culture, Welsh Language, Sport and International Relations Committee. Nation quotas would incentivise Channel 4 to consider its impact individually across nations.

Disaggregated data would ensure transparency in terms of delivery. In relation to Channel 4's reporting of any new quotas, Channel 4 should be expected to report separately on delivery in each nation to enable the sector to scrutinise its impact and delivery against its strategy and hold Channel 4 to account. We welcome the reference in the consultation to continued close monitoring of Channel 4's spend in the individual nations and to the consideration of additional metrics to provide more accurate and insightful evaluation of the impact of its involvement in production across the nations.

In terms of Ofcom's plans to consult on new guidance later this year as part of the implementation of the Media Act, it will be important for Ofcom to engage with individual nation stakeholders as part of this exercise to ensure distinct circumstances and needs across the UK are taken into consideration.

### **Welsh language impact assessment**

As noted in our response to Ofcom's previous consultation on the Channel 4 licence renewal, Channel 4's work in Wales has an indirect impact on the Welsh language. Joint working and co-commissioning activity with S4C is supporting the Welsh language sector in Wales whilst also benefitting Channel 4, with *Y Golau / The Light in the Hall*, the collaboration between C4 and S4C, its best performing drama for Channel 4 over the last two years. Any licence requirements that could reduce the positive impact of Channel 4's investment in Wales therefore have the potential for a subsequent negative impact on the Welsh language.