

Call for Evidence response form

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FutureofTVDistributionCallforEvidence@ofcom.org.uk

Title	Call for evidence: Future of TV Distribution
Full name	[REDACTED]
Contact phone number	[REDACTED]
Representing (delete as appropriate)	Organisation
Organisation name	S4C
Email address	[REDACTED]

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Your response

Question	Your response
Q1. How are audience demands and expectations evolving, and how does that vary for users of different TV platforms and different demographics?	<p>Confidential? – N</p> <p><u>Broadcast remains popular, but audiences are increasingly moving online</u></p> <p>In Wales, DTT continues to be a very important platform for S4C in allowing it to reach a wide audience and providing a high degree of prominence to Welsh-language programming.</p>

Ensuring viewers in Wales see services that are relevant to them at the start of the EPG remains an important part of ensuring the best value from investment made.

There is also a clear continued reliance on DTT insofar as S4C's audiences are concerned. For example, DTT viewing makes up a higher proportion of S4C's overall viewing compared to other public service channels. This is primarily because other public service channels are more likely to be viewed on cable (cable viewing makes up an average share of 7% for other PSB compared to S4C's 1%) due to the unavailability of cable in certain areas in Wales where the Welsh language is at its strongest.

However, as Ofcom rightly notes in its Call for Evidence, the way in which audiences are watching television has changed, with more and more content being watched over the internet.

This fact is highlighted in our viewing statistics.

In 2023, 51% of S4C's overall viewing in Wales comes through DTT, which is down from 58% in 2016.

Whilst S4C is not available through DTT outside of Wales, well over a third of S4C's total weekly reach comes from outside of Wales (through internet, satellite and cable).

In 2023, 11% of S4C's overall viewing in Wales comes through IP platforms (S4C Clic and BBC iPlayer), and we have seen constant growth in online viewing with streaming hours up +12% in 21/22, +10% in 22/23, and +11% for 23/24 YTD.

The shift to online viewing is one-way, and it is applicable to all age groups. That is why S4C, along with other PSBs, have set out a clear strategic intention of transforming from a public service linear channel to a multi-platform public service media provider.

Audience expectations have changed significantly

Audiences now take for granted the ability to watch what they want, when they want. As S4C has responded to shifting audience expectations, so to have audiences responded positively to S4C's platforms strategy.

Viewing figures for Welsh-language content on S4C Clic and BBC iPlayer are at an all-time high, and we are seeing evidence of changing audience consumption. For example, when our drama series *Dal y Mellt* was released in October 2022, 50% of viewing was via various catch-up methods after the linear broadcast day. Other series have seen similar trends, such as *Gogglebocs Cymru* where 60% of the series' viewing hours were on-demand after the original broadcast.

People expect live, linear, universal TV but that is not unique to Broadcast

Universality of access – the ability of people of all backgrounds to access content – is an integral principle of PSB services. We expect this principle to continue to apply even as the means of providing universal access change over time. It is generally accepted that increasing levels of broadband connectivity, over time, will provide universal access to internet services including television.

It is important to distinguish the DTT platform from live, linear viewing more generally, since live viewing is not unique to Broadcast. For example, 43% of total hours viewed on S4C Clic and BBC iPlayer are live hours. Viewing hours for S4C content on desktops and smartphones are split 50/50 for live/on-demand viewing. This is driven in part by S4C's extensive sports offering, children's programmes, and dramas (including our soap *Rownd a Rownd* which is popular among teenagers and young adults).

It is worth noting that technological development has also allowed S4C to expand and enhance its live television provision. For example, S4C's coverage of live events have evolved from television-only broadcasting to multi-platform streaming offering a more comprehensive service to audiences. This

	<p>ranges from offering livestreaming of college rugby on S4C Clic, Facebook and YouTube, to streaming multiple competition stages at the Urdd National Eisteddfod, to providing an uninterrupted livestream from the Main Ring at the Royal Welsh Show.</p> <p>Everyone TV's next generation platform, 'Freely', will be an important development in providing linear public service content as it will allow audiences to easily browse and watch live TV channels in a familiar way, albeit streamed to connected TVs via the internet.</p>
<p>Q2. What do audience trends mean for the financial prospects and sustainability of TV distribution platforms, and what are the key decision points over the next ten years?</p>	<p><u>Maintaining all distribution platforms indefinitely is not viable</u></p> <p>Increased distribution methods, including the proliferation of IPTV platforms, are already placing cost pressures on S4C. As an increasing proportion of audiences are accessing S4C's services through IPTV, and the number of people using only DTT or DSat to watch television decreases and is particularly concentrated in certain areas and in some demographic groups, a tipping point will come at which point it will be difficult to justify responsible use of S4C's public funds on these fixed-cost technologies.</p> <p>While in principle it would be possible for S4C to model this tipping point based on currently known factors, there are many factors outside of our control that could drastically impact its timing. It is therefore imperative that we work together as PSBs and with other key industry stakeholders to find a sustainable, affordable and aligned way forward that meets the needs and demands of audiences.</p> <p><u>There are a number of complex issues to assess before decisions are made</u></p> <p>As the joint-PSB Future TV Taskforce notes in our response, finding sustainable solutions will require assessment of a number of complex issues before any decisions are taken, including:</p>

	<ul style="list-style-type: none"> - The future cost of the DTT network and whether it is technically and commercially possible to scale down the network to reduce costs to allow audiences continued access to DTT while transition occurs. - The future costs and technical viability of the DSat network for PSBs. In Wales, satellite (paid and freesat) is the most popular primary-TV device distribution platform. Questions about the future sustainability of this platform are particularly acute for harder-to-reach areas in Wales, where satellite helps plug the DTT and broadband coverage gap. - The future development and take-up of broadband networks. Full broadband coverage alone will not guarantee universal access to public service television. Cost, skills and confidence are important driving forces in the take up of broadband. The technical maturity and resilience of the broadband network and infrastructure are also critical. <p><u>Establishing key considerations is more important than setting a timetable</u></p> <p>As PSBs, we are clear that any transition from DTT should not be driven by fixed dates or commercial interests.</p> <p>We believe that the key conditions for future TV distribution ought to be: (1) everyone is connected via reliable and affordable internet connection, (2) everyone has access to un-gatekept, high-quality content and devices, and the skills and confidence to do so, and (3) everyone benefits from a fair and prosperous UK Media Economy.</p>
<p>Q3. How do broadband networks and supporting infrastructure need to evolve to support resilient delivery of TV over the internet in the future?</p>	<p><u>We are already providing reliable online TV distribution</u></p> <p>The Media Bill updates S4C's remit and provides that it may offer digital and online services. In practice, over recent years S4C has</p>

already undergone a significant shift from Broadcast-only to online distribution, and has received additional funding to help accelerate that shift to meet audience demands.

Significant increases in the use of S4C's online services have been evident over a number of years, as S4C offers more programmes and content on IP platforms (including S4C Clic and social media, such as YouTube) and via new delivery methods (including box sets and short-form content).

S4C has invested significantly to make S4C Clic available on a wider range of platforms. The app was also recently relaunched with a more modern appearance and intuitive user experience.

Our viewing figures for Welsh-language content on S4C Clic and BBC iPlayer are at an all-time high with an 11% year-on-year increase. Last year, the number of hours of S4C content viewed via YouTube doubled.

More needs to be done to provide full coverage

In its joint-PSB response, the Future TV Taskforce notes three main ways in which broadband networks and infrastructure will need to evolve to support TV services for everyone:

(1) full national availability of high-speed internet connections; (2) full take up of internet connections and connected devices; (3) a resilient and reliable end-to-end infrastructure for internet delivery.

Ofcom's most recently available Connected Nations report (summer 2023) noted that the vast majority (96%) of households in Wales can access superfast broadband with download speeds of at least 30 Mbit/s, which is sufficient for streaming HD video content. At least 50% of households can access full-fibre connections, and that in total giga-bit capable broadband is available to 60% of households.

	<p>However, almost 1% of properties in Wales do not have access to 'decent' broadband (up to 10 Mbits/s, which is sufficient for streaming SD video content). The proportion of those unable to access 'decent' connections is higher across Wales, Scotland and Northern Ireland than in England, and therefore the UK as a whole. These are mostly in the hardest-to-reach parts of Wales, where good 4G indoor coverage is also more sparse. For example, Powys is the local authority in Wales with the highest number of premises without access to decent broadband.</p> <p><u>Full digital inclusion based on robust networks and infrastructure is vital for the UK overall</u></p> <p>Beyond IP television, universal high speed internet and an end to digital exclusion has multiple economic and societal benefits.</p> <p>Viewing S4C through DTT is more common among older audiences (16-44: 21%, 45-64: 41%, 65+: 67%), and also C2DE socio-economic groups (60%) compared to ABC1 (45%). We recognise that it is important S4C works with others to better understand how different groups are affected by digital exclusion and how skills and confidence might be increased through the introduction of connected television.</p>
<p>Q4. In what ways might different types of 'hybrid' terrestrial and internet services deliver benefits for audiences and what risks may arise?</p>	<p><u>Online TV gives audiences choices</u></p> <p>Connected TVs and online services provide additional features and benefits for audiences, including:</p> <ul style="list-style-type: none"> - Enhanced content offering: on-demand or 'catch-up' viewing of programmes after linear transmission, access to more content with box sets and archival content, personalised recommendations, additional and coterminous livestream feeds. - HD: currently due to DTT spectrum constraints, S4C is only available on HD during peak hours during the week, and also from 2pm at weekends. With IPTV,

there are greater opportunities to provide S4C in HD across all hours.

- Access services and language selection: online platforms provide greater opportunities and flexibility for access services. For example, switching between Welsh or English subtitles is simple and frictionless on S4C Clic. Enhanced access services would be aided by common technological standards across platforms.
- UK-wide availability: on the DTT platform, S4C is only available in Wales. The Media Bill provides for guaranteed UK-wide availability of S4C's services on connected TV platforms – and S4C is already currently available on DSat and cable outside of Wales. Therefore DTT homes outside of Wales should in future be able to receive S4C once they start accessing IPTV.
- Targeted advertising: connected platforms provide opportunities for targeted advertising and therefore a potential for greater commercial revenue.

Much of the UX is controlled by Platforms

With connected devices, a TV's interface is controlled by the TV manufacturer and operating system. This means they have increasing control over much of the user experience, including navigation and prominence.

For example, the EPG remains the most common linear navigational tool for audiences and is an important part of providing prominence for PSBs. Yet, we have seen the EPG being downgraded within TV interfaces on certain connected TV devices.

As TV viewing moves increasingly online, the user experience provided by platforms is an important consideration.

We must take steps to ensure the benefits of online TV outweigh the risks

	<p>The joint-PSB Future TV Taskforce identified three areas to work with Government and platforms to ensure that the benefits of connected TV interfaces outweigh the risks. These priorities are:</p> <ul style="list-style-type: none"> - Regulation and robust enforcement - Further pro-competitive PSB collaboration - Joint innovation to ensure the benefits of IPTV are enjoyed by all.
<p>Q5. Given the sharing of infrastructure, what would the implications for other sectors be if there was a change to the use of digital terrestrial television (DTT)?</p>	<p><u>The ‘Digital Divide’ will narrow, but must ultimately be fully closed</u></p> <p>PSBs will have a role to play in supporting vulnerable people to access online television services. As noted in the joint-PSB Taskforce response, we want to work closely with those in civil society to better understand the issues around digital exclusion and to work together to minimise this gap.</p> <p>However, collaboration is vital to address digital exclusion more generally. The multitudinous benefits of digital inclusion should be coordinated and funded by the UK Government.</p> <p><u>The TV production sector could be negatively affected by an un-managed move away from DTT</u></p> <p>As noted in the joint-Taskforce response, Ofcom does not mention the potential impact on the TV production sector in its Call For Evidence. The independent TV production sector, and creative economy as a whole, across Wales benefits greatly from S4C presence and investment (S4C currently spends c.80% of its budget directly on the TV production sector).</p> <p>If a future move away from DTT is not managed, and S4C is subject to disproportionate and unaffordable distribution costs, there is a risk that S4C’s level of investment in content could decline, with a</p>

	<p>negative impact for audiences, the TV production sector, and S4C.</p>
<p>Q6. What coordination and planning across the value chain might be necessary to secure good outcomes for audiences and key providers over the long term?</p>	<p><u>PSBs should be at the heart of planning for the future of TV distribution</u></p> <p>The joint-PSB Future TV Taskforce was formed with a view to understanding the issues around the increasing take up of IPTV. The PSBs have a particular interest in maintaining universal access to PSB services, and have the most to lose from a poorly managed move away from DTT.</p> <p>Our funding models and regulatory frameworks are intrinsically tied to distribution, and decisions made about the future of TV distribution.</p> <p>S4C has a unique public purpose to support and promote the Welsh language, and its stated aim is to share its Welsh-language programming with as wide and diverse an audience as possible and contribute to the Welsh Government's Cymraeg 2050 targets. As such, maintaining universal access to S4C's services is of the utmost importance in any TV distribution transition.</p> <p><u>Collaboration across the whole value chain is vital</u></p> <p>Needless to say, PSBs cannot manage the future of TV distribution alone. Successful transition would depend on a broad coalition of stakeholders to firstly understand all the implications of shifting from DTT to online distribution.</p> <p><u>Government also has a vital cross-sector role to play</u></p> <p>Many of the issues outlined in this response go beyond television and require a cross-sectoral approach. PSBs will play a key role, but the Government is best placed to coordinate these multi-faceted and cross-sectoral issues to ensure positive outcomes. The devolved</p>

	administrations also have a stake in many of these issues, and we would urge the UK Government to work with the Welsh Government, among others, to also establish a coordinated cross-border approach.
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