



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol: Grŵp Gorchwyl a Gorffen ar Ragolygon ar gyfer Dyfodol y Cyfryngau yng Nghymru The Communities, Equality and Local Government Committee: Task and Finish Group on the Future Outlook for the Media in Wales

**Dydd Iau, 12 Ionawr 2012
Thursday, 12 January 2012**

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These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r grŵp gorchwyl a gorffen yn bresennol

Task and finish group members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Janet Finch-Saunders	Ceidwadwyr Cymreig Welsh Conservatives
Bethan Jenkins	Plaid Cymru The Party of Wales
Kenneth Skates	Llafur (Cadeirydd y grŵp gorchwyl a gorffen) Labour (Task and finish group Chair)

Eraill yn bresennol

Others in attendance

Nick Capaldi	Prif Weithredwr, Cyngor Celfyddydau Cymru Chief Executive, Arts Council for Wales
Natasha Hale	Pennaeth Panel Sector y Diwydiannau Creadigol Head of the Creative Industries Sector Panel
John Howells	Cyfarwyddwr yr Adran Tai, Adfywio a Threftadaeth, Llywodraeth Cymru Director of Housing, Regeneration & Heritage Department, Welsh Government
Ron Jones	Cadeirydd Panel Sector y Diwydiannau Creadigol Chair of the Creative Industries Sector Panel
Huw Lewis	Gweinidog Tai, Adfywio a Threftadaeth Minister for Housing, Regeneration and Heritage
David Mahoney	Cyfarwyddwr y Polisi ar Gynnwys, Ofcom Ofcom's Director of Content Policy
Glyn Mathias	Chairman of Ofcom's Advisory Committee for Wales
Rhodri Williams	Cadeirydd Pwyllgor Ymgynghori Ofcom Cymru Cyfarwyddwr Ofcom yng Nghymru Ofcom's Wales Director

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol

National Assembly for Wales officials in attendance

Sarah Bartlett	Dirprwy Glerc Deputy Clerk
Rhys Iorwerth	Gwasanaeth Ymchwil Research Service
Marc Wyn Jones	Clerc Clerk

*Dechreuodd y cyfarfod am 12.34 p.m.
The meeting began at 12.34 p.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Kenneth Skates:** Many thanks for attending and for the comprehensive evidence that you have provided to us in written form. This meeting is bilingual and headphones can be used for simultaneous translation from Welsh to English on channel 1, or for amplification on channel 0. If you have not already done so, please turn off your mobile phones, as they interfere with the broadcasting system. This is a public meeting, so you do not need to touch the microphone—it will come on automatically. In the event of a fire alarm, we will follow the ushers out of the building to safety. I have received no apologies and there are no substitutions today.

[2] Do Members have any declarations of interest to make, other than those that have already been made? I see that they do not.

12.35 p.m.

Ymchwiliad i'r Rhagolygon ar gyfer Dyfodol y Cyfryngau yng Nghymru: Ofcom Inquiry into the Future Outlook for the Media in Wales: Ofcom

[3] **Kenneth Skates:** I am conscious that we do not have much time, so I would like to move straight into questions. Peter will kick us off with questions regarding the impact of technology and developments in public service broadcasting.

[4] **Peter Black:** I will start with a general question. From Ofcom's perspective, can you briefly outline the main challenges currently facing the media in Wales and how your work relates to that?

[5] **Mr Williams:** I will start on this question. These challenges fall into three categories. There are challenges around funding—the money that is available to create media content, whether that refers to television, radio or print, although the latter obviously lies outside our area of responsibility. There is another set of concerns around plurality. Thirdly, there are issues relating to consumer behaviour. In our evidence, we have set out statistics that relate to spend on 'originated nations content' for Wales. Figure 7.2 shows that there has been a consistent decline in that, which is not related to current economic circumstances or Government policies on spending. It is a long-term trend, whereby less and less money is being spent. That is somewhat alleviated by the fact that technology is much easier and cheaper, but there has also been a decline in output over the years. If we look at the numbers for overall expenditure, seen in figure 8.8, we can see that, generally speaking, spend on output has stayed where it is, if not increased in certain cases. Therefore, that is a concern for anyone related to any aspect of the media in Wales.

[6] Then there are the implications that that has for plurality. The position of the written media in Wales is very different from the situation in Scotland, Northern Ireland or the UK as a whole. That has been very well documented, not only in the work that we have undertaken in the past and that is referred to in our evidence, but also in the evidence of other people who have appeared before you. We have concentrated on the emphasis this situation places on the need to maintain plurality in television news, current affairs and wider programming. That has been the focus of much of our work in terms of reviews of public service broadcasting in the past. Clearly, from a citizenship point of view, maintaining plurality is very important, and something on which we have placed a great emphasis in the past.

[7] Finally, I would like to address very briefly the changes seen in user behaviour—the fact that fewer people are choosing to buy certain newspapers or listen to dedicated services

for Wales. It is in the field of newspapers where this is most noted. I do not need to go over those figures; you have access to them. So, there is a bundle of changes and challenges around people's ability to access material that gives them information about what is happening in Wales, and a lot of that is about what is happening in this place. We have referred to this issue and tried to address it in the work that we have done on policy in this area since Ofcom came into existence.

[8] **Mr Mathias:** Before answering, perhaps I should explain that, as Chair of Ofcom's advisory committee for Wales, I do not speak directly for Ofcom. The committee provides very robust advice to Ofcom on the priorities for Wales. There are two pressing issues in the context of what Rhodri has been describing. The first is the relicensing of channel 3. As Members know, Ofcom is currently considering this matter, and it is of the utmost concern to the advisory committee that there should be a national licence for Wales, and that the maximum amount of programming possible should be extracted from the new licensee, whether or not it is ITV, to ensure that the plurality Rhodri referred to is maintained. The second issue of immediate concern is what is happening at the BBC. Ofcom has a regulatory role here so I have to be fairly judicious in what I say. However, clearly, some of the reductions that have been put forward by the BBC, particularly in relation to BBC2 and radio, are of considerable concern for the volume of programming in Wales.

[9] **Peter Black:** Your paper says that the approach you took in looking at news in the nations during your last PSB review was closely aligned to a funding agency model, along the lines of a Wales media commission. What are your views on the viability of establishing such an agency for Wales?

[10] **Mr Williams:** In a sense, that is a matter for the Government here to decide. I do not think that there is anyone in the sector who would look unfavourably on the idea of there being an additional source of funding. Currently, the Government spends money on community radio. It is only a modest amount of money. Support is also given through the creative industries initiative. Whether that can be taken further is very much a matter for Government. It would obviously have benefits for the industry in Wales, but it is not something on which we have a particular view.

[11] **Peter Black:** If such an agency were viable, how would you envisage it being funded if the Government took that decision?

[12] **Mr Williams:** Viability depends on the amount of Government expenditure available to fund it. At a UK level, there is currently a great deal of debate going on about how the film industry in the UK is funded and whether the emphasis is on creating new material that is of interest in itself or whether it is stuff that brings a commercial return. You can configure such a fund in two ways. One way is for it to spend money on commissioning content. The other is to set targets to spend x and expect to get x plus back over a period of time. That model is difficult if the idea is to create content that is specifically Welsh. If you are looking for a commercial return, you have to make material that is of interest to an international market and look outside Wales. Obviously, it might be interesting inside Wales as well, but if you are making content that is specifically about Wales you will not make a commercial return on it. Again, those would be decisions for whoever was investing in it.

[13] **Mr Mathias:** I would encourage you to look back to the independently funded news consortia process, which was Government-funded under the last Labour Government before it came to an unhappy end after the election. That was a very innovative process, and some of the ideas that came out of that with regard to collaboration across platforms were very interesting, but the money was going to come from the Government.

[14] **Bethan Jenkins:** Do you think that something like that could be replicated in the

form of this commission? Could that be a blueprint for the future, considering it has already happened and that that process has been gone through?

[15] **Mr Mathias:** If I may extract the argument about the media commission from that, I would say that the process of collaboration across platforms—between television, radio, internet and newspapers—was a very productive one. Some of that is going to happen anyway—or it will have to happen if some of those forms of media are to survive. As you know, in Wales, they are under huge pressure and those forms of collaboration are going to be very important.

[16] **Mr Mahoney:** If I may add to that, the IFNC process was constructed in part to address the question about the future viability of ITV News. So, there was a window, which was the ITV window. If you were going to take it as a blueprint, you would want to think about how you would achieve region impact for the output if ITV is not part of that blueprint.

[17] **Peter Black:** In your paper, you say that you have prioritised the advertising of local commercial multiplexes for parts of Wales currently not served by local DABs. Can you update us on that work and how it has benefited Wales?

12.45 p.m.

[18] **Mr Williams:** Yes. Basically, when the UK was divided up into a number of areas for DAB multiplexes, the licences were designed to be issued according to the size of the area covered. We took an early decision to combine some of the designated areas in Wales to make them bigger, so that that immediately pushed them up the list with regard to process. We also took a decision not to stick entirely rigidly to that size of potential audience and licensed some of the multiplexes earlier than would otherwise have been the case. They were advertised, and winning bids have been received in the case of all of the multiplexes that were advertised. However, in each case, the commercial operators have decided that they are not willing at this stage to bring them into operation. So, with regard to what we have been able to do, that was successful, but we cannot enforce the multiplex licence owners to bring them into service earlier than they would choose. There are currently some discussions going on between the Department for Culture, Media and Sport, the BBC and the commercial radio industry about the future of digital radio. People are waiting, quite reasonably, for the outcome of those discussions before taking commercial decisions on roll-out.

[19] **Janet Finch-Saunders:** How would you respond to those who say that Ofcom should be allowed to impose language conditions when advertising commercial radio licences anew?

[20] **Mr Williams:** We are very familiar with that position. Our response has been consistent and clear from the outset and since the commercial regional licence for north Wales was awarded to Real Radio, which has subsequently been merged with its south Wales licence to create, for the first time, an all-Wales licence. The Welsh Language Board asked us whether it would have been appropriate to set linguistic conditions, but we have been clear that the Communications Act 2003 and the Broadcasting Act 1996 do not give us powers to do that. We have no opposition to doing it in principle, but we are constrained, quite reasonably, by the legislation. We notified the language board of our position, which, as you will know, has since been reiterated as we were asked by the Minister for Education and Skills to put forward our final position. It is therefore no secret—we have shared our response with anyone who has asked for it—that we do not have the powers to do it. Unless the legislation changes, we cannot do it, because, were we to try to do it, we would expect to be taken to judicial review and we would lose the case.

[21] **Mr Mathias:** The position of the advisory committee is that, whatever the legal position now—and I concur with Rhodri's position on that—it should be a consideration.

However, for that to be the case, there must be a legislative change, and this is a suitable subject to be included in the forthcoming communications Bill. I would like to see this group make that proposition.

[22] **Bethan Jenkins:** Have you made that proposition to the Minister, stating that you would like this to be considered in the new communications Bill?

[23] **Mr Mathias:** The advisory committee has made it clear to Ofcom that that is the case.

[24] **Bethan Jenkins:** But not to the Minister?

[25] **Mr Mathias:** Our role is to give advice to Ofcom.

[26] **Bethan Jenkins:** So, has Ofcom made any representations to the Minister?

[27] **Mr Williams:** It is not Ofcom's position to be making representations to the Minister.

[28] **Bethan Jenkins:** I thought that you would say that, but I wanted to get it on record.

[29] **Mr Williams:** The Secretary of State has made very clear where the dividing line lies between making policy and implementing regulatory decisions.

[30] **Janet Finch-Saunders:** Do you agree with witnesses who have said that there is a lack of mapping and monitoring of the media in Wales, beyond the work that Ofcom currently undertakes?

[31] **Mr Williams:** That is a very difficult question to answer. We certainly produce a lot of research, and that is research that we think is necessary to inform the decisions we take. So, our annual communications market report is the single most important publication on that. Obviously, you can do more research. Ours is bound by those areas of broadcasting and media that we have a legitimate interest in, so we do not measure the readership of newspapers, and so on, because that falls outside our remit. Within our remit, the research is probably appropriate. In order to get more granular data, which is something that people have sometimes called for, a considerable amount of money would have to be spent, and under current financial circumstances, where we have already cut our expenditure by more than 20%, with a target of 28% for the remaining four years of this UK Parliament, we would find it very difficult to justify spending more. There are other institutions that could do that research—academic institutions, perhaps—and if they wanted to take an interest in something that needs to be explored further, then we would obviously welcome any further research that is done. There are some interesting pieces of research that come out of various institutions, and we very much welcome that. However, as far as we are concerned, we are doing what is currently needed to inform our work.

[32] **Janet Finch-Saunders:** How strong, in your opinion, is the current technology infrastructure serving Wales? What in your view should be the priorities in terms of strengthening that base?

[33] **Mr Williams:** Do I take it that that refers to infrastructure across the communications sector, not just broadcasting?

[34] **Janet Finch-Saunders:** Yes.

[35] **Mr Williams:** Television broadcasting is in a very strong place, and has been for

some time. The threshold for coverage of digital terrestrial television is high, at 98.5%, and of course that is supplemented by satellite coverage both from Sky and from Freesat. Access to television is good. Obviously, the coverage of commercial multiplexes on the DTT platform is somewhat lower, but that is because it is a matter for the commercial operators to decide whether they want to pay the extra money that would put their services on the 190-something small relay transmitters that we have in Wales, which are served by the public service broadcasters. So, that is a matter for them.

[36] In radio, we have some issues around FM—for instance, there is in some cases a lack of FM capacity for community radio, where some people would like to see community stations being licensed. We are currently in a third round of community radio licensing in Wales, but have had to draw boundaries and say that we cannot accept applications from certain areas because of lack of capacity. That is also something that the BBC grapples with. Whereas Radio Cymru is widely available on the FM platform, Radio Wales is not. Then there is the whole question of DAB, which we touched on earlier, whereby BBC Radio Cymru and Radio Wales are only available on the two commercial multiplexes operational in south-east Wales, although the UK-wide BBC services are more widely available. So, there is a problem there, and that is something that we hear a lot about.

[37] If I move to broadband, the position has improved dramatically as a result of the intervention of the Welsh Government. The broadband support scheme should now mean that everybody has access to first-generation broadband at a speed of 2 Mbps. When the scheme started it was 0.5 Mbps; it is now 2 Mbps. So, anyone in Wales should be able to avail themselves of a service that delivers 2 Mbps. Obviously, that will not be possible using only telephone lines; they may have to use satellite services, wireless services or sub-loop unbundling, which is perhaps the rarest variety of broadband provision that is available. However, that clearly has made a big difference.

[38] As you know, the Government is currently in the process of procuring a next-generation broadband service for Wales, which shares targets with the UK Government and with the European Union. This means that, by the end of 2015, services of up to 30 Mbps should be widely available. When we get to that point, the infrastructure will clearly be much better than it currently is, because those services will be able to deliver content as well as simply allowing people to access static websites and, perhaps, watch short snippets of video of the kind that you might get on YouTube. It would allow people to use iPlayer fully. That is something that is currently limited to those parts of Wales where faster services are available. By the end of 2015, that problem should be behind us.

[39] However, there is one caveat. While that is happening, the speed of services available in Cardiff and in centres of high population density will increase even further. Virgin Media announced yesterday that it is doubling the speed of its services, so people on 50 Mbps services will go up to 100 Mbps, and people on 100 Mbps will go up to 120 Mbps. So, there will still be a gap between what is available in the most remote and rural communities and what is available in the cities. However, that is the same not only in other parts of the UK, but in other parts of the globe.

[40] **Mr Mathias:** I would just like to go back to discuss the coverage for Radio Wales and Radio Cymru, because this is as much of a concern to the advisory committee as it is to everyone else. It is our view that FM frequencies do exist in Wales. The London BBC radio channels have FM coverage in Wales. Radio 3, which has a miniscule audience, has coverage in Wales, but Radio Wales does not have the same coverage as Radio 3. So, the technical facility exists for the coverage of Radio Wales in Wales, but it is a matter of political will on the part of the BBC.

[41] **Janet Finch-Saunders:** On that point, we are aware of the areas of weakness that

you have highlighted, but what should be the priority in strengthening those weaknesses?

[42] **Mr Williams:** Broadband has certainly been identified as a priority and that is why the Welsh Government has spent the money it has spent, or is continuing to spend, on the broadband support scheme and the money that it will be spending, along with UK Government and European money—

[43] **Janet Finch-Saunders:** I was thinking more in broadcasting terms.

[44] **Mr Williams:** In broadcasting terms, in terms of the infrastructure, it is in the radio area that we are weakest. That is where the provision is lacking. In television terms, we are as good as other parts of the UK, bearing in mind that our geography is challenging. If people make the argument that they should have access to the six multiplexes that are available on the DTT platform, it is clearly far more cost-effective to access those services by using Freesat than it is to argue that the commercial operators should improve the roll-out from 73% to 98.5%. So, radio would be the area of greatest concern.

[45] **Bethan Jenkins:** I am conscious of the time, so I will try to merge my two questions into one. Ron Jones from the creative industries sector panel told us that, with regard to channel 3:

[46] ‘Ofcom has barely attempted to protect the PSB requirements of Wales and licence conditions have been relaxed to a point where the service is of marginal benefit’.

1.00 p.m.

[47] What is your response to such criticism? With regard to creating a separate licence for Wales on channel 3, how likely is it that that will happen and how would the conditions vary from those for other regions?

[48] **Mr Mahoney:** I will take those in reverse order. On the single licence issue, we are at a crossroads with ITV at the moment. The new licence is due to start in 2014, so the process is under way as regards the renewal of the channel 3 licence. The two parties that play a role in that are Ofcom and the Secretary of State for Culture, Media and Sport. It is a complicated process that I will not go into. We could provide you with more information on that, if you would like. It is important to stress that the obligations are currently separate in the licences. While there is not a single licence, the obligations that relate to Wales are separate. So, we can set different levels for the obligations. For example, news levels can be set differently to what they are in the west country. We understand the optics of the argument, and we will work with the Department for Culture, Media and Sport through the process to consider that issue further. On the question about levels being reduced to the bare minimum, over the past five years, there has been a struggle to align the benefits of being a public service broadcaster with the cost of the obligations associated with it. Digital technology does a lot of great things, but it does fragment audiences and reduce the benefits of being a PSB. Before, there were only four channels, and, therefore, there was a pseudo-monopoly. Now, the value of the spectrum and the value of electronic programme guide prominence, and all those sorts of things that we used to trade for benefits, are reduced.

[49] Undoubtedly, we have been in a position where we have been trying to find equilibrium between effective delivery and not losing the system by trying to ask for stuff that is not commercially viable. Rhodri may say a bit more about that. Levels of provision are still good, although they are not as much as we, or anyone, would want them to be. However, it is still a worthwhile level of provision. It is better to have the amount that we extract than to not have it. We have been through the digital switchover and are now beginning to find the equilibrium where we can have some certainty about what we will get from ITV in particular

in the future, which will be a news service for a good number of hours per week, consistent with that in other nations and the English regions.

[50] **Bethan Jenkins:** The worry with the renewal of the licence is that there will not be any aspiration to provide more than is currently provided, considering the level now. The public would be concerned about that.

[51] **Mr Mahoney:** That is a fair concern, but it is about achieving the equilibrium. The levels that we have now may be close to the equilibrium. There may be more of a conversation about what will be received from ITV plc and whether it is sufficient, and, if it is not, what further intervention is needed to ensure that there is sufficient variety of news and other information in future. I am not sure that the answer is to ask ITV to do things that are not commercially sustainable.

[52] **Mr Mathias:** It is worth looking at Scotland and Northern Ireland. The provision of STV and UTV is greater in those countries than it is in the case of ITV in Wales.

[53] **Bethan Jenkins:** That is a good point. I agree.

[54] **Kenneth Skates:** Unfortunately, we have run out of time. Thank you for attending today. You will receive a transcript of the meeting to check for accuracy.

[55] **Bethan Jenkins:** Can we send them a few more questions?

[56] **Kenneth Skates:** Yes. There are a few more questions that we will send to you in writing, if that is okay. Thank you.

1.05 p.m.

**Ymchwiliad i'r Rhagolygon ar gyfer Dyfodol y Cyfryngau yng Nghymru: Panel
Sector y Diwydiannau Creadigol
Inquiry into the Future Outlook for the Media in Wales: Creative Industries
Sector Panel**

[57] **Kenneth Skates:** Good afternoon, and thank you for coming. Thank you also for your written evidence; it was very valuable. Headphones are available, with amplified sound on channel 0 and interpretation on channel 1. I am conscious of the time, so we will proceed directly to questions. Regarding the current state of the media in Wales, you say in your paper that one of the main problems facing the Welsh media is a lack of accountability to Wales, which you say is not sustainable. What needs to happen to address this issue and what would happen if it is not addressed?

[58] **Mr Jones:** We are at a stage where the whole of the media landscape for Wales and the UK is going to be restated in the next three or four years. Bearing in mind that most of media broadcasting falls as a reserved matter, one can have all sorts of academic debates about whether broadcasting ought to be devolved. However, the political reality of where we are is that this, as with other reserved matters, requires an entirely fresh look at how the devolved nations become part of the process, the consultation and the decision making for these services that are crucial to Wales. In the case of broadcasting, because so many parties are now involved in these discussions—you were not one of those parties, and neither were we, if I may call myself a civil servant for this purpose—we need to look seriously at how these issues are going to be handled.

[59] Pressures are coming from Scotland, because some of these issues are now going to

have to be debated between Edinburgh and London; broadcasting is one of many issues—we do not have defence issues, but broadcasting is going to be an issue for Scotland. We need a much more mature relationship between London and Cardiff regarding how the reserved matters, of which broadcasting is only one, are handled. I urge you to look at how that could be done. We have begun to give it some thought in relation to broadcasting. These are areas of crucial importance to Wales, not just because of entertainment but because they act as part of the democratic underpinnings of the country, yet we do not have a voice at the table.

[60] **Kenneth Skates:** Are you in a position to share your thoughts on broadcasting?

[61] **Mr Jones:** Yes. If we do not get this right, we are likely to end up with decisions being taken about us without our having a say. Our concern is not that people will take decisions that are designed to damage Wales, but that our voice will not be heard sufficiently. As a result, we will be the collateral damage in those decisions rather than being at the heart of what we are trying to create for our media landscape.

[62] **Kenneth Skates:** You say that all public service broadcasters should make explicit statements of their commitment to Wales, based on an open and public discussion of the issues. Who do you think should be responsible for instigating that process and how would it take place?

[63] **Mr Jones:** Bearing in mind that these are not devolved issues, clearly we have to try to win this argument with the UK Government. There are signs that there are ways into this difficult issue. It is interesting that the BBC for the first time apparently wishes to be involved in this, partly in response to what is happening in Scotland and partly because it has realised, intellectually, that its present dealings with the devolved nations are not satisfactory in constitutional terms. Potentially, the BBC and its apparent wish to be involved in a transparent fashion with the devolved nations is a way into the argument. I do not think that we can leave this decision to the BBC. We have to engage with it aggressively to ensure that what it delivers is something that we can live with. Having discussions with the BBC at a local level is not the same as being part of the decision-making process. We understand that the BBC is an intrinsically British institution, so it presents a model of the problem at large. How do we find new mechanisms that allow us to engage with the BBC as it prepares for its new charter and for significant physical changes in its operations inside BBC Wales, and as it becomes financially accountable for S4C? We should bear in mind that, even in this present process of co-operation with S4C, the memorandum between the two broadcasters still leaves the BBC in total control. This is not to suggest that the BBC is entering into this in bad faith, but that is the reality of the memorandum of understanding between them. In extremis, the BBC takes the final decision—if we ever get to that extreme. It seems to make sense that you as an Assembly and the Welsh Government need to be involved in that in a formal way. We cannot get away with quiet chats in back rooms or on the 125 to London; we need something more substantial than that.

[64] **Kenneth Skates:** Bethan, would you like to ask about the communications Bill?

[65] **Bethan Jenkins:** Yes, but I would like to respond to what we have just heard. You said that the devolution of broadcasting was academic, but I did not hear ideas from you on how you would see the process working in any other way; you said ‘formal’. Why would it be academic if we could devolve the powers to allow for that formal link? You say that you find it intellectually coherent. You say that the Welsh Government should be able to find an intellectually coherent approach to demanding its involvement in media policy. Would that not be a way of doing so?

[66] **Mr Jones:** I have been flippant in describing it as an academic issue. Realistically, it is not going to be politically deliverable. That is what I am saying on the devolution of

broadcasting. Having said that, we have to accept that Wales, potentially, has huge advantages from a UK structure for public service broadcasting. Our people benefit enormously from public service broadcasting provided across the UK. So, there is always going to be that interconnection. My view is that we need to look at a structure that works for the whole series of significant rearrangements of broadcasting over the next several years, and that includes ITV's licence, the future of S4C, the charter for the BBC and local television. Constitutionally—this will start with law and end up with politics—it is up to you as an Assembly and the Welsh Government to come up with a way that works for you. As a panel, with the help of the Ministers, we will shortly be looking at the present arrangement, and how they can be made to work better. This will only be possible by political good will from London and Cardiff. It is not something that you or we have the power to impose. However, I sense that there will be no better time to try to get these arrangements in place.

[67] S4C is a good example of how badly things can go wrong when there is no local accountability and input into the decision process. The battle for S4C was a battle by an army in retreat, because none of us were really involved in the game. The battle for Wales is about to begin. That represents the whole of broadcasting in Wales in both English and Welsh. That is the bit that I would like to see us concentrate on.

[68] **Bethan Jenkins:** I agree with everything that you have just said. It is important, based on what you have said in your evidence, to understand that you believe that a review of need, to see what is necessary for Wales, needs to be carried out. Will you expand on that? What do you believe needs to be done to make that possible?

[69] **Mr Jones:** That is not too difficult. Intellectually, we could get together, within a relatively short space of time, and agree on what the PSB priorities are for Wales. We could agree on everything that we would like to have as well, but the priorities are ultimately going to be the ones that win the argument. We could relatively easily define what we need in terms of news and current affairs coverage. We could agree on other aspects of Welsh life that need to be reflected in broadcasting, whether they be cultural or sporting, and those that create and support the identity of Wales as a unit. It seems to me that unless we are able to demonstrate, through broadcasting, that Wales is a viable unit politically, culturally and economically, over a period of years the whole rationale for being devolved nation is likely to wither away. That is how important broadcasting and other media can be.

1.15 p.m.

[70] In my mind, I have no doubt that, since its inception, the Assembly has suffered from the fact that we do not have a sufficient breadth of media in Wales with a sufficient interest in how Wales is governed and what happens day to day, month to month and year to year, to demonstrate to the people of Wales that this is where it is at in terms of our future and that this is where we need to look for leadership and also to complain about those things that are not working out for us as a country. In my view, there is nothing more damaging than to have so many of the political issues that affect Wales being discussed solely in terms of London, which inevitably, for devolved issues, means matters that are not particularly relevant to us, although they may be of interest. These are issues that are deeply damaging to the long-term health of our democracy.

[71] **Kenneth Skates:** Janet, would you like to ask about new business media models in Wales?

[72] **Janet Finch-Saunders:** Yes, of course. Good afternoon. The Arts Council of Wales told us that the Welsh Government should address a lack of knowledge among small and medium-sized enterprises of how intellectual property rights could be used to grow media businesses in Wales. Is the creative industries sector panel doing any work on these models?

[73] **Ms Hale:** Since its inception, the panel has looked at IP and how we can better protect creative businesses across the whole of the creative industries sector. It has been a real priority for the sector panel. The ability for businesses in Wales to retain and exploit IP and to understand how to do that are priorities that the panel has put forward to the Minister. We are looking to roll out a number of different options to support companies to do that better. That will be done in partnership with the Arts Council.

[74] **Mr Jones:** Not just the media but generally in Wales we have not been very good at controlling, managing and getting economic value from our IP. You see that in the extensive amount of money that we spend on research in universities, for example. Again, it seems to be a fundamental weakness, which we are trying to address. Natasha's team has particular experience in the field of music, which appears to be giving us some good ideas with regard to how that can be extended across other media. Your work with the Welsh Music Foundation in a previous life demonstrates that it can be done. However, in media, we are still in an environment where the very big companies that have access to distribution are able to bully producers in a way that is unhelpful, but, I think, inevitable.

[75] **Ms Hale:** We have just launched the digital development fund, and one of the key priorities of the fund is to help people to retain and exploit their own IP—to make their own prototypes and test examples of their work so that they do not have to go to the big distributors first and sell their IP before they have even begun the process. The digital development fund is aimed specifically at doing that for companies working in digital media across the whole creative industries sector. From the panel's perspective, and our perspective as a team within the Welsh Government, the priority is to enable Welsh businesses not to just be a service sector to the big owners of IP based in London and elsewhere, but to ensure that our talent can be protected here before we go on to sell it elsewhere.

[76] **Janet Finch-Saunders:** Richie Turner told us that Wales has excellent university media courses but that graduates then decide not to stay in Wales, resulting in a brain drain that we urgently need to address. Is that a fair comment? If so, what can your panel and the Welsh Government do about it?

[77] **Mr Jones:** I am not sure that Richie's enthusiasm was not a bit misplaced. Our media courses have corners of excellence, but I wonder whether the large number of people who go through our media courses are required by the industries that they claim to serve. There is an apparent disconnect between the number and the scope of some of these courses and the media industry in general. That is something that, with the approval of Ministers, we will look at over the next 12 months. We have identified the need to evaluate more closely whether the media courses that we have at further and higher education level are providing the industry with the people it needs and, to be frank, whether they are providing the young people that we put through the courses with an education of value. That is the one that distresses me most. I wonder sometimes whether the courses are producing the range of skills and experience and the basic education that people need to go on to any career.

[78] **Kenneth Skates:** Could local television have a role in this?

[79] **Mr Jones:** Local television potentially has a role, but we must be realistic about the extent to which it will provide jobs in Wales. The number of people who will be involved in local television who are getting paid will not be great. Local television has many interesting facets, but providing work for the thousands of kids that come out from our media courses every year is not, perhaps, one of them.

[80] **Bethan Jenkins:** It is quite worrying. I do not want to put words in your mouth, but it seems to me that you are saying that some of the media courses are not fit for purpose in the

sense that graduates of those courses would not be qualified to do the jobs that they want to go into. How are you expressing that with regard to the work that you do on the panel?

[81] **Mr Jones:** To be fair to the institutions concerned, we need to look at it with this study over the next 12 months. My comments come from being a significant employer in this field. The answer is twofold: first, I am not sure that they come out with the right skills and, secondly, I always get a little worried when we are putting so many people through a course when the jobs will not be there at the end of the day. I feel uncomfortable with doing that. There is the famous story of forensic science, where we now have 9,000 students and only 600 or 700 in the UK are in full-time employment in the field. Media is one of those topics that sounds vocational but is not for most people who go through it, and we need to look at that.

[82] **Ms Hale:** With regard to there being a brain drain in the creative industries, of all the students who are coming out of universities who are ready to work in the media and who have the skills to do that, our priority, in terms of what has been discussed at the panel, is about ensuring that Wales has the best support that it can offer for all of them. There are good examples of people who have left universities and who have gone away for five or 10 years and worked in London and America who want to come back here to work. We must ensure that the support is here for all of those people, whether they are graduates or not.

[83] **Peter Black:** In your experience, is there a lack of joined-up thinking between the heritage and business departments within the Welsh Government as far as media policy is concerned? If so, what are the implications of that?

[84] **Mr Jones:** To some extent, we find ourselves prisoners of history on this one. In the days before devolution, there was a linkage between the local department and DCMS. That linkage remains, because it is a reserved matter. Refreshingly, in the last six to nine months, the two Welsh Ministers involved have really taken the issue on board, partly as a result of a lack of co-ordination in dealing with the obvious problems of S4C. There is a realisation that the two departments need to work together closely. Clearly, there is the whole content issue: we need the content that serves Wales but then we need to ensure that we get the maximum economic value from it. The reality is that the expertise to handle both issues sits across the departments. The Ministers have come together and agreed that a subpanel will now be available to advise both departments on broadcasting, both on the content and economic side, and that seems to make sense. I genuinely think that it is an accident of history that no-one ever bothered to put right. However, I sense that, with the present Ministers, we are well on the way to getting that sorted. I am seeing, for the first time, much more co-operation between Natasha on behalf of the Department for Business, Enterprise, Technology and Science and John Howells in heritage as we begin to try to develop a Team Wales approach to it.

[85] **Peter Black:** My next question is about the sub-panel. Would you tell us a little more about it and the way in which it links up with the heritage department?

[86] **Mr Jones:** I will tell you where we are with it. The Ministers have agreed that the sub-panel will be established. They are in the final stages of agreeing a formal remit for it. It is agreed that I will chair it and, across the departments, we will look to find a small number of people who can provide the policy advice, hopefully, over this period of significant change over the next three or four years. As to the timing, when will we be able to make the announcement, Natasha?

[87] **Ms Hale:** I hope that, within the next two to three months, we will be able to announce who will be on it and when it will sit. It will sit quite regularly at first—we are looking at sitting maybe twice a month at first. However, at the moment, no terms of reference have been agreed between the two departments or between the two Ministers.

[88] **Mr Jones:** One of the early issues that I would like to address is the issue that I spoke about earlier, namely trying to find arrangements and structures that provide a link between the panel and the Ministers and the various other bodies that will be taking those decisions. However, I do not suspect that that will be easy.

[89] **Peter Black:** Finally, do you have any views on how beneficial it would be to create a single media hub in Wales, possibly on the site of the current Roath Lock development?

[90] **Mr Jones:** We have a passion in economic development in Wales for buildings.

[91] **Peter Black:** Yes.

[92] **Mr Jones:** I wonder whether we might, by now, have learned the lesson that buildings do not a sound economy make. Clusters of companies in a particular industry are very beneficial, but you cannot get the natives to all camp on the same site. They have to do it by a process of accident or determination. I do not think that it is the role of Government to tell people that that is where they ought to be. We operate quite satisfactorily, thank you, from a disused supermarket in Llanelli. There are some very good young media companies in Cardiff and Treforest that operate out of just buildings. I do not really buy into the idea that everyone must sit together, have coffee together and exchange ideas. I do not think that it happens in quite that way. If it happens automatically, then that is great, but I am not a great fan of the idea.

[93] **Kenneth Skates:** Wonderful, that brings us nicely to an end. Thank you very much for coming today. A transcript of the meeting will be sent to you to check for accuracy.

[94] **Mr Jones:** Thank you very much.

1.29 p.m.

**Ymchwiliad i'r Rhagolygon ar gyfer Dyfodol y Cyfryngau yng Nghymru:
Llywodraeth Cymru
Inquiry into the Future Outlook for the Media in Wales: Welsh Government**

[95] **Kenneth Skates:** Good afternoon, Minister.

[96] **The Minister for Housing, Regeneration and Heritage (Huw Lewis):** Good afternoon.

[97] **Kenneth Skates:** Many thanks for attending today, and thank you for your written statement. Our meeting is bilingual: if you are unsure as to how to use the equipment, channel 1 is for translation from English to Welsh and channel 0 is for amplification. Do you wish to make an opening statement?

[98] **Huw Lewis:** Not really. It might just hold you up, Chair, if I were allowed to do such a thing.

[99] **Kenneth Skates:** That is grand. We will proceed to questions, if that is okay. Bethan will begin by asking about the current state of the Welsh media.

[100] **Bethan Jenkins:** You say in your paper that you can help to secure a sustainable and vibrant future for the BBC in Wales—at least, that is something that you have committed to doing. What specific actions are you taking in light of the fact that the Delivering Quality

First agenda by the BBC has created some discomfort in the BBC with regards to job cuts and programmes changing and being cut?

1.30 p.m.

[101] **Huw Lewis:** First of all, it is worth mentioning—it sometimes remains unsaid, which is probably a mistake—that a great many of the worries and concerns that we face as a Welsh Government and as a National Assembly for Wales and as those concerned about the role of broadcasting in Welsh public life have been thrust upon us through deliberate UK Government policy. You could be forgiven for presuming that at least sections of the UK coalition Government had it in for the BBC, and were continually in search of ways of cutting back its budget. That has nothing to do with the national debt—we are talking about licence payers' money. The shunting off of the World Service from the Foreign Office and the shunting off of S4C into the BBC are, in my view, a root cause of a great many of the worries and concerns that we have. Within that context, given that broadcasting is non-devolved, we, as a Welsh Government, have regularly stood up for the importance of the BBC and BBC Wales in Welsh public life. We have raised our concerns every step of the way in terms of the cuts that have been imposed. After a very turbulent period, we are now entering a period of greater stability in which we can begin a new phase of discussion and consultation about what a sustainable and vibrant future for BBC Wales consists of, as well as that being part of the wider broadcasting picture. So, the group's inquiry is timely in many ways in that regard.

[102] **Bethan Jenkins:** I want to pick up on what you said with regard to devolving broadcasting. You will know that I have asked you questions about this before, and the most recent remark that you made was that you sympathise with the sentiment. It does not have to be full control over broadcasting, but, if you had more of the levers of power in Wales, do you think that the instances that you mentioned regarding the UK Government and the changes to the licence fee would be different? Would you seek some discussion on that particular level with the UK Government?

[103] **Huw Lewis:** As I said, I think that we are into a new phase of thought and discussion. As you mentioned, Bethan, I do not think that there is any ideological barrier to greater devolution of these questions. We are very clear as a Welsh Government that we want to see better lines of accountability in terms of Welsh-based broadcasting, but this is not purely a question for the Welsh Government—this is a question for the Assembly as a whole. While broadcasting remains non-devolved, although I may be the Welsh Government Minister with responsibility for broadcasting issues, I have none of the levers of budgeting and control over those policies. So, it is a question of us as a Welsh public community—the Assembly, the Welsh Government, those partners out there, as well as the regulator—to start discussing how we can make a reality out of what is a cross-party commitment to better lines of communication and accountability—particularly with regards to S4C, but also with regard to the other broadcasters—and to put some flesh on those bones. A large part of the situation in which we find ourselves is not of our making—when I say 'our', I mean the Welsh people as a whole. We find ourselves in a situation where we must now exert some leadership and control over the situation. Stability in the BBC and S4C was absolutely critical, and we now have to move forward. We have to decide what we want, Bethan. That is what it boils down to: what do we want here in Wales? If we are talking about devolution, devolution of what exactly? If we are talking about accountability, accountability to whom and accountability of whom? There is not clarity. I will not pretend that there is a fixed Welsh Government view that has fallen out of the sky in the past couple of weeks that answers these issues. Again, that is why the group's work is so important.

[104] **Bethan Jenkins:** I am glad that you have said that there need to be better lines of accountability. I am sure that this group will provide you with some recommendations along those lines.

[105] With regard to ITV's licence, you say that you will continue to push the UK Government to ensure that the minimum condition for ITV's licence renewal will be based on existing provision. We heard Ofcom's representatives say earlier that they wanted equilibrium in the new licence. What will you do to ensure that the case is put?

[106] **Huw Lewis:** We will make those representations as vigorously as possible. There is the Welsh Government's response to the DCMS consultation on the communications review, which was last year. The First Minister met Jeremy Hunt last year to talk about this issue and, as you say, we regard the minimum standard to be the current level of, I think, four hours of news plus an hour of other programming. I raised that twice last year with Ofcom Wales officials. So, the input is regular and clear. We make those representations; that is what we do.

[107] **Bethan Jenkins:** Thank you for that. With regard to local television, you say that the landscape in Wales is vastly different to that of England. Can you share your concerns about local television, if you have any, and do you think that it would work in Wales?

[108] **Huw Lewis:** I do not regard local television as some kind of mistaken concept. What I am concerned about, first of all, is that it is another hit to the BBC, because the budget for this thing has leaned on licence payers' cash yet again. In a Welsh context, it detracts from what should be at the centre of our concerns, namely the safety and quality of our main broadcasters and their ability to hold up a mirror to the Welsh people—S4C, BBC Wales and ITV Wales in particular. If licence payers' money is being siphoned off to support other things, whatever they are, I will be concerned about that. Also, we have a smaller and more dispersed population. We have less potential in most communities for local television to be commercially viable, so I am sceptical of it.

[109] Then again, we are where we are, and it is incumbent upon us as the Welsh Government to take whatever steps we can to take best advantage of what might arise, particularly with regard to the jobs and skills agenda. There is potential there, particularly for fostering new talent within those sorts of arenas. Certainly, if we go down the route of local television, in the Welsh context, we should have thought about mainstream broadcasting and the effect on that, and we certainly should not have funded or subsidised it in this way.

[110] **Bethan Jenkins:** I acknowledge your comments, but of course, the IFNC were funded by the previous Government, so perhaps there is this rationale in terms of using money to fund certain projects that a government may be interested in.

[111] My questions will now move on to newspapers and the newspaper industry. You say that you have grave concerns about the newspaper industry in Wales. We have heard evidence from Media Wales, and we have heard about the cuts to the industry in Wales. How will you intervene, if at all, to alleviate the situation, to help this particular industry?

[112] **Huw Lewis:** It is very worrying. If you look at local newspapers in Wales, residents in the Valleys recently will have noticed a real step change in the amount and quality of local reporting that they had been used to for over 100 years, and that picture is reflected right across Wales. More widely, the larger dailies—I call them large, but they are not actually large.

[113] **Bethan Jenkins:** Do you see any intervention from Government being made in terms of funding or setting up a Government fund in any way?

[114] **Huw Lewis:** There are no plans to do so at this point. It is an area fraught with difficulty, is it not? The idea of Government subsidising the press is a difficult arena to

become involved with. There are no Welsh Government plans to go down that route. The Welsh public sector as a whole supports the Welsh print media to a large extent through advertising. We have to recognise that, and also if we are to think constructively about the future of such things, we need to be careful that that kind of indirect support, if you like, has no impact on any kind of editorial decision, which is safeguarded and possibly enhanced or at least not damaged by us. However, no, the Welsh Government has no such plans.

[115] **Bethan Jenkins:** Many others who have given evidence would not necessarily support Government intervention, for example, in the form of some sort of Soviet-run newspaper. However, potentially a not-for-profit business could be set up in terms of looking into new ideas and solutions to retain what we have. That is where I was coming from.

[116] **Huw Lewis:** The Welsh Government's door would be open to good ideas and suggestions in order to explore what might be possible in the future. We are in a very fast-moving environment and no-one knows what the future of the print media is throughout the world. However, good ideas to preserve good Welsh journalism, which reflects Welsh public life in particular, is an essential component of our democratic public life and we need to be as open as possible in terms of preserving it; it is an enormous worry.

[117] **Kenneth Skates:** I would like to ask briefly about indirect support. Many newspapers now have online news sites and there are independent news sites. Would there be potential in extending statutory notices to the online news providers as an additional source of revenue that could support them, because I am conscious that, at the moment, revenue of online news sites is pretty low or very low compared with what expectations were and certainly compared with that of the print media?

[118] **Huw Lewis:** As I say, I maintain an open-door policy in terms of good ideas in that regard. A great deal of the future of print media will be wrapped up with how the online world develops. Perhaps there is something to be talked about there. If you take the Welsh public sector as a whole, and not just Welsh Government, there is an enormous need for the public sector to continually communicate, even if just on the basis of vacancies, but there are all sorts of needs to communicate. Perhaps we could be more rational across Wales about how this was directed and simultaneously boost the exposure to a wider section of the public, possibly, especially to younger people.

[119] **Bethan Jenkins:** On digital radio, you say in your paper that you are naturally apprehensive about the implications of digital radio switchover due to the lack of coverage across Wales. How confident are you that the UK Government will listen to your concerns before proceeding with the switchover?

[120] **Huw Lewis:** I am not confident at all; I wish I could say that I was. We continue to make loud representations in this regard. The current situation as we know it is that the AM/FM coverage throughout Wales is far from what we would like it to be. If I recall correctly, I think that our stated position is that we would not support a digital switchover until 97% of the Welsh population were covered by the signal. We are lobbying for a situation where, post switchover, Welsh people would notice an improvement rather than the reverse. It would be a perverse situation to switch over to a new technology and deliver a worse service to fewer people. So, that is our clear position on that issue.

1.45 p.m.

[121] **Bethan Jenkins:** I presume that you have made that representation to the UK Government.

[122] **Huw Lewis:** Yes. In terms of the consultation, would you like to come in, John?

[123] **Mr Howells:** We have been making this point to the UK Government for many years, namely that the geographical and population coverage in Wales should be no lower than the population coverage targets for the UK as a whole. However, this is a matter for the UK Government.

[124] **Peter Black:** So, the previous Government did not listen to you either.

[125] **Huw Lewis:** I was not the Minister responsible for these matters at that time. [*Laughter.*] You would have to ask my predecessors about that.

[126] **Bethan Jenkins:** I am sure that we can ask about that.

[127] I will now finish my round of questions. With regard to community radio, you state that a review of the community radio fund is currently being undertaken. When will the review be completed, and can you confirm whether the fund will still be open in the future?

[128] **Huw Lewis:** I anticipate that the review will be completed in the first couple of weeks of February. I cannot give a commitment today as to the shape of future support; I cannot do so until the review has been completed. During very tough budgetary times, it will be important to take a step back when the review is complete to see what works. I have an instinctive sympathy with supporting community radio, but we need to ensure that we justify exactly how the fund operates. Maybe John would like to add something.

[129] **Mr Howells:** Given where we are in the cycle, we would not expect the outcome of the review to have an impact on the availability of funding for 2012-13. We are almost there, and we would expect to have the existing scheme available for 2012-13. The intention is that the review should inform the Minister's decisions for April 2013 onwards.

[130] **Kenneth Skates:** Peter, would you like to ask some questions on the involvement of the Welsh Government with regard to the media?

[131] **Peter Black:** Yes.

[132] Minister, you state in your paper that you wish to raise with the UK Government how to establish stronger links between S4C, other broadcasters, and the Assembly. What specific steps are you taking to strengthen those links?

[133] **Huw Lewis:** I could reiterate a list of meetings, correspondence and so on. If you want to see such a list, we could provide it. That process has been ongoing since the last Assembly elections. In respect of specific steps from now on, we have to get to grips with the fact that, as I see it, we are now in a reasonably stable situation, at least. We have a seven-year window of stability. We know where we are. We have a new Chair at S4C, and we will have a new chief executive starting later in the month. This is a new phase of discussion and development. We need a very intensive dialogue from now on about how we manage the very difficult situation into which we have been thrust. We also need to make clear what the Welsh Government regards as a good service in a modern democracy—a nation that has a distinctive culture and deserves as good a service as anywhere in the UK can expect. As a community of concern around broadcasting in Wales, including broadcasters, regulators, public representatives and other partners in the wider creative industries, we need to try to build a consensus of will, as far as we can, surrounding these issues. It would enormously weaken the case that we might want to put to the UK Government on any issue if we were unable to build a consensus around exactly what we are looking for in Wales. I hope that this answer is not too woolly for you, but this is the next specific step—which is the phrase that you used—in terms of making the best of the situation that we are in at the moment.

[134] **Mr Howells:** It might be helpful if I just add to that by saying that this is a challenge for Government as a whole. We recognise that public service broadcasters make an important economic contribution; Hargreaves recognised that. They have a key contribution to make to the economic development agenda, and the Government's economic development agenda has a key contribution to make to the future success of broadcasters in Wales. They have a crucial cultural and educational contribution to make—S4C in particular, through its new partnership with the BBC, has an important Welsh-language policy contribution to make. There will be an opportunity to re-base those contributions, given the new Government structures that are in place.

[135] **Peter Black:** All the broadcasters have expressed a willingness to engage with the Welsh Government and the Assembly. The opportunity is there for the Government to take the lead on that and to bring them together to improve accountability and transparency, and to act as a conduit for their views to the UK Government, even though it is not devolved. Have you thought along those lines?

[136] **Huw Lewis:** Yes. Those relationships will now be constructed. We still have not quite got ourselves a chief executive for S4C, but there have been encouraging discussions with the new chair, with Rhodri Talfan Davies of the BBC and with ITV. The willingness is there. The Welsh Government will take on responsibility for co-ordinating those discussions and the activity of pressing the case for Wales. There is also a wider responsibility on other partners to join in the discussions and work towards—to as near as we can build it—a Welsh consensus on certain issues. I was mightily encouraged last year that we were able to send a letter signed by the four party leaders to Jeremy Hunt. We could do a lot more than that. It is not just a cross-party consensus that we need to build—we need a settled will in Welsh public life on the minimum requirements for broadcasters and the support that those broadcasters would require from Westminster.

[137] **Peter Black:** In a more formal sense, and taking that point forward, your programme for government contains a commitment to press broadcasters and Ofcom to report annually to the National Assembly. How will you deliver that commitment? How confident are you that you will be able to achieve that?

[138] **Huw Lewis:** I cannot deliver it myself.

[139] **Peter Black:** It is your commitment.

[140] **Huw Lewis:** Yes. However, I cannot instruct civil servants to make that happen. That is not my relationship with broadcasting. It is non-devolved. The Welsh Government could seek the wider support of the Assembly, because the line of accountability does not lead directly to me as a Minister. I am not the accountable Minister.

[141] **Peter Black:** I understand that, but the evidence that we have had to this group is that you are pushing at an open door.

[142] **Huw Lewis:** Yes, I know. The Assembly as a whole is the body to which the line of accountability extends—the Assembly's committee system in particular. If and when broadcasting is devolved, you will have a Minister in the Assembly to push those buttons, but that situation does not exist at the moment.

[143] **Peter Black:** Will you be facilitating that process?

[144] **Huw Lewis:** Yes, in every way that is reasonable and possible.

[145] **Peter Black:** Some witnesses have expressed concerns that the Welsh Government does not seem to be involving itself sufficiently in media matters and that it leaves Wales without a voice as the policy is developed by the UK Government and other media institutions. Witnesses have also expressed concerns about the lack of capacity within the Welsh civil service to anticipate and keep pace with developments in media policy. Are those concerns well founded?

[146] **Huw Lewis:** No; those criticisms are unfair. In terms of the volume of the voice that we have been able to transmit, we have more than done our duty in that regard. There has been correspondence and a response to consultations and the First Minister has thrown himself into this debate to make the Welsh Government's opinion crystal clear to Lord Patten and others. There has been a body of consensus behind him and behind me, in a wider Welsh public sense, when that has happened. I have never had any criticism from the broadcasters in this regard; they seem to regard us as being as proactive as we could be. There has never been any grumbling from them about our ability or willingness to step up and take part in this debate.

[147] In terms of capacity, it would be difficult, given that broadcasting is not devolved, to justify to the Welsh public purse a broadcasting department within the Welsh Government. Expertise and personnel are brought in as and when they are needed, but I would not judge, as the Minister responsible for that activity, that we have had a capacity problem. The capacity has been fine, but I do not have a broadcasting department with dozens of civil servants, and nor should I.

[148] **Peter Black:** What resource do you have in your department for this?

[149] **Mr Howells:** You have me, and I have two people in my team who lead on broadcasting matters. I take an active interest myself, in addition. That does not include colleagues in the Directorate of Business, Enterprise, Technology and Science, with whom we work closely when there are overarching exercises, like the communications Bill, that require us to work together. There are two dedicated staff in my department.

[150] **Huw Lewis:** It depends how you define things, I suppose. If you take the jobs and skills agenda, and the creative industries more widely, you could point to much larger numbers of people within the Welsh Government who are actively on the case.

[151] **Bethan Jenkins:** I recognise that you would not have a unit, but what I have talked to academics about is the lack of knowledge about what consumers or the public want and need, and some sort of scoping exercise. They are starting on an academic level, but they have no funding, really. They would like that to be conducted by the Welsh Government so that we have, as in America, a yearly round-up of where consumers are using media, and how. Is that something that you would potentially consider—to work with academics on that?

[152] **Huw Lewis:** The first law of academia is that they always want more research. We have to be careful about that. I would be very happy to listen to proposals or bids, if you like, for that kind of work. I would need to be absolutely satisfied that we have something robust that would actually be of use as we take this debate forward.

[153] **Mr Howells:** I hesitate to offer any comments on this question, but we have in the past supported the Institute of Welsh Affairs to do some research. The issue of what the public wants is a very difficult question. We are not sure what the public wants any more in relation to television and new online services, not to mention radio and all the rest of it. We know that they want public service broadcasting, and Ofcom does an awful lot to analyse the demand for traditional public service broadcasting. So, in relation to a very appropriate question, the starting point is, 'What do we already know?', and we know quite a lot through

what Ofcom does, especially its two reviews on public service broadcasting in the UK, including Wales. To date, Ofcom has been quite responsive when the Government in Wales has expected it to deliver advice to us as well as to the UK Government. So, we are used to working alongside Ofcom, and I think that it would have to be part of any exercise in that area, because otherwise we are not maximising the use of public expenditure across the piece.

[154] **Janet Finch-Saunders:** The former Broadcasting Sub-committee report highlighted the lack of collaboration and joined-up thinking across two, if not more of the Government's departments, including heritage and economy. As far as we can see, those concerns are still quite relevant. Indeed, the IWA and other witnesses have been critical of what they regard as a lack of co-ordination and joined-up thinking between the heritage and business departments within the Welsh Government, certainly as far as media policy is concerned. Are those fair criticisms, and what are you doing to improve this?

2.00 p.m.

[155] **Huw Lewis:** I have not seen the IWA submission on this, and I am a little bewildered. I do not accept the criticism, and I am not sure why the IWA would come to that conclusion. I could point to a couple of instances, one of which is the joint working of both departments in relation to the Welsh Government's response to the Department for Culture, Media and Sport's consultation on the communications review last year, which required close co-working. Looking to the future, I do not know whether the Minister for Business, Enterprise, Technology and Science has appeared before you; I see that she has. I am sure that you will be aware of the particular concern across Government departments that we look at jobs, skills and economic factors. There is huge potential; I hope that we are not painting a picture that is too bleak here this afternoon. There is enormous potential regarding how we could punch above our weight as a nation with talent, expertise and skills that we could offer to attract creative industry activity to Wales and export the intellectual property of those industries. The development over the road here in the Roath Lock, for instance, has a hell of a lot of potential if we can get cross-departmental discussion on it, and those discussions are being held. Together with what we now have, which is the stable management of S4C and the BBC in particular, the potential is quite exciting. Interdepartmental working will be part of that.

[156] **Janet Finch-Saunders:** Witnesses have also told us that the creative industries sector panel set up by the Welsh Government seems too focused on securing purely economic benefits, rather than cultural benefits, for Wales. As the Minister responsible for culture, what are your views on that?

[157] **Huw Lewis:** Which witnesses said that?

[158] **Janet Finch-Saunders:** Various witnesses are named in the report. The IWA has raised concerns.

[159] **Huw Lewis:** Those witnesses should know that that is the remit of the sector panel. The Minister for Business, Enterprise, Technology and Science has made it clear that that is her area of concern in the wider agenda that you are addressing as a group, and the sector panel should concentrate on that. That is not a surprise; that is what the panel has been told to do.

[160] **Janet Finch-Saunders:** The IWA has also raised concerns about how the Welsh Government is responding to the communications Bill process. Can you outline the steps that you have taken so far in response to the UK Government's plans to introduce the new communications Bill?

[161] **Huw Lewis:** All of the appropriate steps have been taken. There was the response to the consultation process last summer, and officials have had ongoing contact with DCMS since then. I am sure that John can give more detail about what those engagements consisted of, but everything appropriate has been done.

[162] **Janet Finch-Saunders:** Do you feel that you provided a strong and robust response to 'A Communications Review for the Digital Age' in May of last year?

[163] **Huw Lewis:** I believe so. I am not aware of any substantial criticism in that regard.

[164] **Bethan Jenkins:** The process is just starting.

[165] **Mr Howells:** We responded formally on 17 July. The interesting point behind your question is the question of whether we have done enough. We think that we put forward a comprehensive response to the initial consultation, but as has been said, this is a process, not an event. The challenge for us is to remain alongside all of the work streams as they develop. It may be that we could be making more of a public noise. We are represented on the digital radio work stream because of our concern about the digital switchover. I do not think that this panel has given much consideration to our heavy involvement in the discussions around broadband roll out, because that is a key priority of the communications Bill and of the Welsh Government. We have been actively involved there. We have not been that active on the public service broadcasting side. We are not aware of there being a distinct agenda there yet, but we are in touch with DCMS officials, who keep us in touch with the developments as they come through.

[166] **Janet Finch-Saunders:** Will you elaborate to the group what your main message and priorities were in your first response?

[167] **Huw Lewis:** All of that ought to be on the website, and is publicly available. We can give you copies of that. Much of it reflects concerns that I have gone over this afternoon and that you would have heard from other Ministers, including the First Minister.

[168] **Bethan Jenkins:** We had a debate on it, also. So we can probably reference the debate.

[169] **Huw Lewis:** It is all freely available. I have a copy here of the initial consultation response, which is seven pages.

[170] **Janet Finch-Saunders:** When asked about the Welsh Government strategy on the communications Bill, the Minister for Business, Enterprise, Technology and Science told us that it was being led by another department, not hers. To what extent have you, the Minister for business and other Cabinet colleagues discussed the Welsh Government's position on these matters?

[171] **Huw Lewis:** My department leads; the Minister for business is quite right about that. However, obviously, there are areas of concern for that Minister. There is also specific concern with regard to S4C, Radio Cymru and Welsh-language services for Leighton Andrews, the Minister for Education and Skills. Those conversations are frequent, and the co-working is pretty constant. The First Minister has been at the forefront of co-ordinating those inter-ministerial conversations and all that communication. Since the last Assembly elections there has been such turmoil on this agenda, particularly surrounding the BBC and S4C, that the priority has been to get through this difficult period and to break into a period of stability, and to do everything that we can to make that happen. I would like to think that the Welsh Government punched above its weight in terms of the contribution that it made towards getting a final, stable situation. We are there now. It is not a pretty situation, but it is a stable

one. We have stability of management and predictability of funding, at least for a few years. We are now in a position to truly start to construct consensus around what we are asking for, as a Welsh public community. I must emphasise that this is not a devolved matter. My relationship with your inquiry, in that regard, is not as it normally might be. I am a part of the consensus building, and I am not in a position to be responding to a list of wants and needs presented to me. I am a part of the lobby on broadcasting that Wales needs to construct.

[172] **Janet Finch-Saunders:** Finally, do you think that you should be part of looking to review this and of a mapping of the needs of Wales, so that we can put forward an informed view of what is needed in Wales?

[173] **Huw Lewis:** As John mentioned, we engaged the Institute of Welsh Affairs to look at this about three years ago. If the group feels that that is out of date and that more needs to be done, I will listen carefully to the proposals put forward. This is a fast moving area, to say the least. Things change so rapidly that perhaps there is a case for that. We would look sympathetically at that within the constraints of our budgets.

[174] **Kenneth Skates:** Before we move on from this, does the Government have a view on the possible relaxation of cross-media ownership rules, specifically with regard to newspapers and the potential for greater collaboration and cross-ownership of newspapers and commercial radio, for example?

[175] **Huw Lewis:** We would not have control over that, would we, John?

[176] **Mr Howells:** We have no control, but we are able to express views where we are minded to do so.

[177] **Huw Lewis:** Did you have something specific in mind, Chair?

[178] **Kenneth Skates:** Yes. I am conscious that journalism in radio is sometimes stretched; journalism in newspapers is stretched as well, but there could be greater collaboration between the two. There could be greater cross-media ownership between the two. Both newspapers and commercial radio are struggling at the moment.

[179] **Huw Lewis:** I take your point. It would be interesting if we were able to foster co-working within Wales, particularly at local and regional level. Television is a difficult one, because it is a very greedy medium when it comes to resource. However, online and print media and local radio overlap in terms of their needs and the sort of expertise that they require—the people and people skills that they need. Therefore, there is definitely something there for the sector skills panel to focus on.

[180] **Kenneth Skates:** Thank you. We have already spoken about the issues to do with the possible devolution of broadcasting. I want to quickly reflect on something that the Minister for business told us. She said that she was

[181] ‘dealing with some very practical issues in my department that are emanating from the things that have gone on in broadcasting’.

[182] Is your department involved in that work? What are the practical issues at the moment in broadcasting?

[183] **Huw Lewis:** Do you mean what are the practical issues that she was referring to?

[184] **Kenneth Skates:** Yes.

[185] **Huw Lewis:** It is a bit of a cryptic comment—

[186] **Kenneth Skates:** Yes, it is a bit cryptic—[*Laughter.*]

[187] **Huw Lewis:** It is probably a question best directed at the Minister for Business, Enterprise and Technology. Obviously, there is co-working on this agenda. I do not know whether we can interpret what the Minister meant by ‘practical issues’. I am assuming that she was concerned with budgetary cuts and possible job losses and so on. It is difficult for me to answer.

[188] **Mr Howells:** The economic position of the public service broadcasters in Wales today is very different from their economic position five years ago, or even two years ago or even one year ago. Therefore, the challenge of providing effective economic development support services, which is what the Minister for Business, Enterprise and Technology provides, to a challenged sector is even more of a challenge than it was previously. Alongside all the other things that I am sure she is trying to deal with, that is a very important challenge for the creative industries sector, panel and team.

[189] **Huw Lewis:** I do not think that I can put words into Edwina’s mouth.

[190] **Kenneth Skates:** Sorry. I think it was, basically, in reference to the devolution of broadcasting, but we will move on. We move on now to the possible other steps that can be taken by the Welsh Government to strengthen the media in Wales. You mentioned the Roath Lock development in Cardiff bay. What would be the advantages and disadvantages of establishing a single media hub for Wales on that site?

[191] **Huw Lewis:** I think that it would be an enormous pity not to extract full advantage from that development just over the road from us. It is a large site and a considerable investment, but if it were to be allowed to remain as just an investment in bricks and mortar, just a location, there would have been a collective failure on the part of broadcasters, Government and everyone else. It opens up the possibility for us to think very imaginatively about how Wales becomes a centre, not just in terms of bricks and mortar, but in terms of the skills of people that can be fostered by such investment. The BBC’s role in making these things come to fruition is, of course, absolutely central, but it is not just about the BBC; it is about the wider broadcasting and creative industry community getting together with Government to sit down to think about this. I know that there would be sensitivities about things being centralised in Cardiff and so on, but it does give us the opportunity to introduce a bit of critical mass in a UK context to the Welsh creative industries—if we can do it right. At the moment, I do not think that that investment has reached anywhere near its full potential.

[192] **Kenneth Skates:** *Doctor Who* is clearly helping with that.

[193] **Huw Lewis:** You are the expert.

[194] **Kenneth Skates:** It is going up past *Casualty*—

[195] **Huw Lewis:** Yes, I understand it is.

[196] **Peter Black:** And *Sherlock*. [*Laughter.*]

[197] **Kenneth Skates:** Yes, all the favourites.

[198] **Huw Lewis:** Yes, there is a lot of good news. There is the issue of the relationship with the commissioning industries. There is a great deal that needs to be talked through. We could leave these things to the market, and I am sure that good things would happen, but if we

had a coherent view across the various sectors about whether we really want this to become a centre of excellence and to punch at UK and European level, then it needs some heavy lifting on the part of everyone involved.

2.15 p.m.

[199] **Kenneth Skates:** Do you have a view on the role of free newspapers? Peter has kindly brought in his favourite newspaper, the *Swansea Leader*. Do you have a view on these free newspapers and the potential for diverting funding? There will be disagreement here, but one idea has been diverting and ring-fencing funding for free newspapers for councils into advertisement features in paid-for newspapers.

[200] **Huw Lewis:** I would not like to come out with an instant view.

[201] **Bethan Jenkins:** No, do not. It will only create tension. [*Laughter.*]

[202] **Huw Lewis:** A dialogue should be had, and I touched on this earlier, as to how the whole Welsh public sector, which includes local government, gets its message across. We want the democratic message to get across, we want advertisements to be seen by as many people as possible and we want people to understand what is happening in their local communities. Is public money necessarily being spent in a way that also fosters the development of forms of media in the best possible way? It is probably not. It is important to listen to what the Welsh Local Government Association says in this regard, but greater co-ordination between local authorities and between local authorities and us is probably not a bad thing.

[203] **Bethan Jenkins:** You mentioned the Roath Lock development and the quotas in the communications review. Some witnesses have said that they would like to change the current quotas for the creation of programming and commissioning to Wales-based quotas as opposed to out-of-London quotas. Would there be a scope in having an opinion on changing that?

[204] **Huw Lewis:** We have made this clear, as I recall. The out-of-London quota is 15%, and we have read that to mean 5% in Wales, which is our population share, so the minimum is 5%. That has been part of conversations with UK Government officials all along.

[205] **Bethan Jenkins:** If a new communications Act came into force and that it said that the out-of-London quotas would be retained, would you be comfortable with that as opposed to changing it to Wales-based and Scotland-based quotas and so on?

[206] **Huw Lewis:** I see. I beg your pardon; I misunderstood. A Wales-specific quota would be much more robust, of course, and it is something that we should pitch for. I am sorry, I misunderstood your question.

[207] **Bethan Jenkins:** I probably was not very clear.

[208] **Kenneth Skates:** Thank you; that brings us to the end of the session. A transcript of the meeting will be coming your way for you to check it for accuracy.

*Gohiriwyd y cyfarfod rhwng 2.18 p.m. a 2.28 p.m.
The meeting adjourned between 2.18 p.m. and 2.28 p.m.*

**Ymchwiliad i'r Rhagolygon ar gyfer Dyfodol y Cyfryngau yng Nghymru:
Cyngor Celfyddydau Cymru**
Inquiry into the Future Outlook for the Media in Wales: Arts Council of Wales

[209] **Kenneth Skates:** Thank you for coming today. A translation service is available via channel 1 on the headsets. Channel 0 is for amplification. Thank you also for your submission, which is very helpful. I am conscious of the time, so, if it is okay with you, we will proceed to questions.

[210] **Mr Capaldi:** Of course.

[211] **Kenneth Skates:** Thank you. Peter, could you begin on the current state of the media in Wales?

[212] **Peter Black:** Thank you for coming in. You raised in your paper concerns about inequalities with regard to access to broadband, FM coverage and DAB across Wales. How confident are you that adequate steps are being taken to address those issues?

[213] **Mr Capaldi:** It would be a partial picture. If we take the easiest one first, which is broadband, we can see a programme of activity from Government, which is seeking both to roll out the extent of broadband coverage, but also improve the speed of downloading, which is important for streaming of content, which is very data-heavy. There are issues in terms of reaching a view around what we need if you are trying to future proof the broadband structure that we are developing. Is 20, 30, 40, 50 or 100 Mbps sufficient? Having a clear view, so that we are not simply replicating a system of distribution that will be out of functionality quickly, is important.

2.30 p.m.

[214] Where we are more concerned, and where the picture is less clear, is what is happening with DAB and the AM and FM frequencies. We feel that radio is currently an underutilised resource in Wales—we could be getting much more value from local radio. I spend a lot of time, as I am sure do you, driving to all corners of Wales, and I find it immensely frustrating as I move in and out of patches of FM coverage.

[215] **Peter Black:** It is like that between Cardiff and Swansea, as well.

[216] You say that convergence is having an impact on the business models and revenue streams of even the most established media companies. What are the arts council's particular concerns in that respect?

[217] **Mr Capaldi:** We are anxious to encourage the organisations that we work with, principally—namely arts and cultural organisations—to recognise the way that the world is changing and to ensure that they are part of the debates, developments and discussions. When you talk to some arts and cultural organisations, they are very good and well networked in their partnerships and relationships with the BBC or independent producers; they have a good web presence and they are beginning to think about how they can use social networking and media to reach and engage with audiences. There are people from other organisations that you talk to and their eyes begin to glaze over, and when you start to talk about intellectual property they really are at sea. I think it is as much about a way of viewing the world and the challenges that we face, and therefore gearing your business to meet those challenges. That is one of the biggest tasks for us at the moment: winning hearts and minds to the fact that the world is changing dramatically. The way in which young people in particular consume and engage with the arts is beyond all recognition compared with what it was 15 to 20 years ago.

It is therefore about encouraging arts organisations to build their capacity, knowledge and expertise to operate effectively in that world.

[218] **Peter Black:** Clearly, as a group, we are interested in the role of Government and how it is facilitating the ability to meet those challenges. Some witnesses have expressed concerns that there seems to be a lack of joined-up working between heritage and business, for example, which will have the main levers with regard to media policy. We have also heard views on the current work of the creative industries sector panel, which the Minister for business told us focuses primarily on economic matters rather than on cultural ones. What are your views on those issues?

[219] **Mr Capaldi:** There are a number of important issues wrapped up in that. I will perhaps take them in two parts. The first part will look at the relationship with Government, and the second will look at the relationship between commercial and cultural products.

[220] On the relationship with Government, I suspect that I am in a slightly different position from a number of external organisations and individuals, in that I have the opportunity to observe Government more closely and to work with Ministers and officials. While there has not been close co-operative working in the past, I think that it was more to do with the fact that the agenda perhaps was not there, rather than a lack of willingness or recognition that joined-up Government is a good thing. Who could possibly disagree that joined-up Government is good? The challenge is in finding the areas that one can join and in articulating them and finding the basis for that co-operation. My observation over the past six months to a year is that that has been getting better, and that the creative industries panel has been a useful addition. I think that it is still finding its feet and is yet to be able to communicate widely and externally exactly what it is doing, but, bit by bit, I think that these things are very much improving and getting better.

[221] The point about the relationship between BETS's focus on economic activity and what is described as the more public-facing, cultural, subsidised activity is an interesting one. I have had a number of debates and discussions, and the logic of the creative industries panel, which is that it is being asked by the Minister to drive an agenda that is about the economy of Wales, training, jobs and raising GDP. Once again, we could not argue with that. The focus, ironically, is helpful rather than unhelpful to the cultural sector. However, I am very keen to dispel any notion that, somehow, the cultural sector is not interested in economic development, does not have a role to play and cannot contribute to growth. I would like to give two very simple, current examples. *War Horse* is a book that was written 25 years ago and which came out of a partnership between the subsidised Battersea Arts Centre and a puppetry group in South Africa, which started in the 1970s. The relationship, through the public sector, was nurtured and developed until Battersea produced *War Horse*, which was picked up by the National Theatre and will now be a huge cinematic hit. There was a symbiotic relationship between the two.

[222] Over the Christmas break, some of you might have been to the Wales Millennium Centre to see *Oliver!*, which is a Cameron Mackintosh production. If you talk to Cameron, you will see that he is very clear that he could not succeed in what he does in terms of putting on the shows if it was not for the investment of the public sector in the development of skills, competencies, and the technical, artistic and creative individuals who make product and promote it. A new situation has developed, which is good for Wales. I know that Cameron Mackintosh used to go to Plymouth to have his shows produced and made, and he would start the tour in Plymouth, but he is now coming to Wales because of the quality of the Wales Millennium Centre and the quality of the producers, the technicians and the creators. Our focus on quality and excellence, and being quite assertive about just how good these things are in Wales, will be very important for our future.

[223] **Kenneth Skates:** Excellent. Before we move on, I am conscious that Senedd.tv is probably classed as a public service broadcaster, so we should not be doing advertisements, but when does *Oliver!* run until?

[224] **Mr Capaldi:** I think that it has another week or two to run.

[225] **Bethan Jenkins:** It is then going to Manchester.

[226] **Mr Capaldi:** Yes.

[227] **Kenneth Skates:** I have not seen it yet, and I know that there are millions of viewers today who are probably interested in it.

[228] **Mr Capaldi:** I have heard Cameron talking very positively about the Wales Millennium Centre in many fora in London and at international conferences. Economically, this is good for us. It is good for the image of Wales.

[229] **Kenneth Skates:** We will move on now. Bethan has some questions regarding the communications Bill.

[230] **Bethan Jenkins:** As a result of recent developments, you say that there is a danger that we will hobble the capacity of the media in Wales to reflect fully its culture and identity in an equal and accessible way. Can you expand on these concerns and identify ways that we can potentially alleviate them?

[231] **Mr Capaldi:** Over recent years, we have seen a steady diminution of the amount of Wales-delivered content or opt-outs. It is very important that, within the context of the debate on the communications Bill, we try to reassert quotas. There are all kinds of pluses and minuses with quotas, but, as a starting point, we should say that there is a level and type of provision that we would expect to see from broadcasters broadcasting in Wales. We have to put down some benchmarks and be prepared to engage in that debate. Once again, there is talent and product that not only belongs within the national opt-outs that exist, but which is of a quality that can take its place on network television along with everything else. We should be pressing the BBC very hard and, when the channel three licences come up for renewal, we should be making demands about the amount of Welsh content that we are seeing.

[232] Of course, there are economic issues related to channel 3 in particular, but my instinct is that, where the BBC and S4C are concerned, not only should we be pushing very hard, but that we might be pushing at an open door, or at least a door that is half ajar. I have discussed this with many colleagues, and they throw their arms up in the air and say ‘This is a non-devolved matter; it has nothing to do with us. We don’t have the levers of power; we can’t do anything about it.’ Constitutionally and politically, that is true, but how hard are we trying? How vigorously are we asking the questions? What are we testing in terms of the limits of the BBC’s willingness to go with us? In the conversations that I have had with BBC staff at all levels, there is a sense of ‘Okay, we have seen big developments in Glasgow and Salford Quays; isn’t it about time we saw something happening in Wales?’ We have the embryonic beginnings of the Roath Lock development, which could represent the interesting beginnings of a media hub—I am slightly distrustful of the word ‘hub’—but you could see a critical mass of activity.

[233] New technology and the investment in it is expensive, particularly for drama production, so it makes sense to co-locate S4C and BBC productions there—there might possibly be a case for co-locating ITV there in the future. With critical mass comes more of an opportunity for individuals in companies to punch above their weight. We are beginning to see the single thing that will attract companies and individuals to Roath Lock, namely the

quality of the product that is being produced, as it is quality that will drive everything. As a result of *Doctor Who*, *Sherlock* and a whole host of other productions, you will start to see people electing to move and to produce work in Cardiff, not because they have to to meet a quota, but because they know that the infrastructure and quality is there to produce something that will be exceptional.

[234] **Bethan Jenkins:** The arts show is one of the things that ITV cut, thereby giving the arts less of a level playing field in Wales, although I recognise that the BBC has committed to locating an arts correspondent in Wales. I do not yet know whether that will help. Did you respond to the consultation on the UK Government's communications Bill, or did you contribute to the Welsh Government's representation in the initial stages of the communications review?

[235] **Mr Capaldi:** We did not contribute to the UK Government's consultation on the communications Bill, but we have been in conversation with colleagues in the Assembly's heritage and BETS departments at various stages about our views and thoughts.

[236] **Bethan Jenkins:** Would it be within your remit to be able to respond? If so, would you consider that in future stages?

[237] **Mr Capaldi:** Yes, we are able to respond to public consultations from Government. We tend to choose how and where we make those interventions, and we felt in this particular instance that working with colleagues in Government was the most effective route for us. However, we could change our view for future consultations.

[238] **Bethan Jenkins:** What would be the priority? You mentioned content and quality, but do you have a view on quotas and deregulation, for example, or would that be something in which people in the arts would not get involved?

[239] **Mr Capaldi:** The two examples that you used are two different issues. I mentioned quotas earlier. My worry about quotas is that I have seen them being used in other areas as a numeric target to hit. Once that is done, it gets stuck there. A quota should be no more than a starting benchmark, the minimum from which we should proceed. However, the trouble is that, if our quota goes up, someone else's quota goes down; that is the nature of the beast. However, the ability to compete on the basis of excellence is important.

2.45 p.m.

[240] On the other issue that you mentioned, which has slipped my mind—

[241] **Bethan Jenkins:** It was on the potential focus that may be placed on deregulation.

[242] **Mr Capaldi:** Yes, deregulation is an interesting area. Strictly speaking, the most interesting areas of that are slightly outside our competence as an organisation, but the relationship around media ownership is quite interesting. I heard one of your witnesses earlier talking about the relationship between radio and newspaper, which is an interesting area to explore. By opening up cross-media ownership, there is always the fear and danger that you get a dominant provider and that, rather than getting plurality, you get a monopoly. However, on the relationship between radio and news journalism in particular, that is an area to explore.

[243] **Kenneth Skates:** Janet, would you like to ask your question?

[244] **Janet Finch-Saunders:** Your paper refers to several areas in which targeted Government funding and support could have real benefits in the creative industry. Could you expand on what needs to change in that respect?

[245] **Mr Capaldi:** I think that some things have changed and are already beginning to change, which is good. I am thinking particularly of the fact that, in the wake of the Hargreaves review, the creative industries panel has embraced fully the notion that the creative industries extend beyond film and television and that there is a whole, much wider sector. It is important that future funding programmes and support are clearly designed to benefit the sector as a whole, which they are now addressing, and do not just revert back to a small number of film and broadcasters being able to access those funds. That should be done right across the creative industries.

[246] The Government has a role to play in mapping the economy of the creative industries in Wales, because it is a terribly slippery animal to get hold of. No-one truly knows, in any kind of informed way, what the scale of the economy is. There are plenty of economic impact studies, but the danger with these is that, all too often, with the best will in world, they are advocacy documents for special vested interests trying to persuade the Government that their sector is so economically important that it must be supported above all else. We must draw a line between those advocacy documents and a dispassionate objective understanding of what that is.

[247] The third area is around targeted advice. There are particular aspects of working within the creative industries and around the needs of culture and the arts that are specific and not generic, so you need specific advice and skills to assist small companies to develop. We are currently discussing how we might move that forward with the creative industries panel and with the BETS department.

[248] The final area is access to finance—to be able to invest either in the scaling up of organisations or to develop and innovate in areas that will then pay back and provide a return over time.

[249] **Janet Finch-Saunders:** Can you expand on your concerns about the gaps in knowledge among small and medium-sized enterprises about intellectual property issues and what needs to happen to improve the situation?

[250] **Mr Capaldi:** I think that we need a programme of training and education on many levels. As I said earlier, a large number of individual artists and arts organisations simply do not understand what is being talked about. Some think that it is a new funding pot from the Welsh Government that they could apply to. So, we need to get across the message that it is about a way of doing business, of looking at your assets and at what you create and how you work. So, there is that very basic advocacy and communication job, which we can largely do. Specific legal, financial and technical advice makes IP a tricky area. We need quick, fast and affordable ways of getting access to good quality business and information advice, for SMEs in particular.

[251] **Kenneth Skates:** I will move on to other potential support and the Hargreaves review. You have said that intelligently applied public investment in the creative industries has been shown to generate direct and indirect spend, employment and enhanced tourism through attracting inward investment. We have heard a lot about the potential for a hub in Cardiff and the Roath Lock development, where there is enormous potential. The Wales Millennium Centre is also fantastic and is home to some outstanding arts organisations. However, to get a bit parochial, is there not a risk that focusing critical mass in such a small part of Wales could detract from the rest of Wales? In trying to bring inward investment, places like north, mid and west Wales have lost out in the past. North Wales has been a great film location—*Tomb Raider* and *Dog Soldiers* were filmed there—and it is often used as a double for places all over the world; Snowdonia has doubled as the Khyber Pass. By basing the critical mass in Cardiff, is there not a risk that the rest of Wales will lose out?

[252] **Mr Capaldi:** My short answer to that is ‘yes’. That would be a real risk. That is something that we must guard against. We must avoid an either/or situation; there must be an ‘and’. Certain types of activities and productions—performing arts and drama—are expensive, and they need scale and critical mass, but there are plenty of other things that could be distributed around Wales. Different parts of the country have their strengths.

[253] **Kenneth Skates:** On critical mass of audience, we know that Cardiff commands a large audience in a small geographical area. Wrexham, where innovative work is happening in the media—with the BBC and Glyndŵr University and so forth—also has a potentially massive audience, but a large part of it would be drawn from the north west of England. Is there a problem, when we talk about inward investment and investment for the arts as a whole in Wales, that we get a bit edgy and anxious about investing if the audience may be from across the border?

[254] **Mr Capaldi:** I am familiar with those debates and discussions on providing huge subsidy to audiences from England in the border areas. Part of me feels very proud that the work that we are producing is so attractive and of such quality that it is attracting people from England. To expand on and exemplify your point, I will give an example that is not that far from Wrexham—Clwyd Theatr Cymru in Mold. It attracts extraordinary numbers of people for good quality, large scale, main stage drama. A significant proportion of the audiences come from Chester, Liverpool and so on, but there are also large numbers of Welsh people. Terry Hands, the artistic director, has built and generated a craft base and an ensemble of Welsh actors and actresses. That is all part of the joined-up approach to building cultural capacity. The actors and actresses that we see on our television screens work in Clwyd Theatr Cymru. We also need to develop that capacity in different parts of Wales. It would be wholly unacceptable to have a developmental strategy that is solely geared around developing the capacity of Cardiff—important as our capital city is.

[255] **Kenneth Skates:** I cannot allow north Wales theatres to be mentioned without mentioning the Stiwt Theatre at Rhosllanerchrugog—an excellent Welsh-language theatre that is thriving at the moment. That brings me to a point made in your paper, which states that, if the Welsh-language media are to flourish, they should be able to experiment and respond to global trends

[256] ‘as is more widely seen through the English language media’.

[257] What needs to happen for this to take place?

[258] **Mr Capaldi:** There is only one place in the world where Welsh-language work can be made and developed: Wales. English-language work can be developed in any number of places. We need to look very carefully at what we are doing to create opportunities, particularly for young people who want to develop a creative career through the medium of Welsh. We have started to look at Welsh-language internships and apprenticeships within organisations, which give youngsters a real opportunity to be actively involved in the arts. In relation to senior positions within Welsh arts organisations, we are seeing that, when one looks for Welsh-speaking senior artistic directors or chief executives, they are hard to find. We need to invest now in growing the pool of talent that will be coming through in five, 10 or 15 years.

[259] Another thing that we have had to think about is how to balance a proper desire to ensure that public funding is working hard and is making an economic contribution with the cultural need to innovate, experiment and develop. Theatre production is a classic example. You get one hit at it—you produce the work, you put it on stage, you hope that it is going to work, but it might not. We have been looking at ways of working with theatre producers to

trial and develop work, particularly in the Welsh-language sphere, where there is such an obligation on Welsh-language theatre companies—they must produce, produce and produce. They are always on a treadmill. Creating a space for ideas to be developed and explored will be critical to the health of that area.

[260] **Kenneth Skates:** Excellent. That brings us to the end of the session. Thank you for coming today. A transcript will be sent to you so that you can check it for accuracy.

Daeth y cyfarfod i ben am 2.57 p.m.
The meeting ended at 2.57 p.m.