OFCOM
Ofcom's Third Review of Public Service Broadcasting
Submission from MG ALBA

Introduction

MG ALBA is short for Meadhanan Gàidhlig Alba (Gaelic Media Scotland). MG ALBA delivers **BBC ALBA** (the Gaelic language television channel) in partnership with the BBC. BBC ALBA is the first partnership television service to operate under a BBC licence.

BBC ALBA is a success: although less than 2% of Scotland's population speaks, reads, writes or understands Gaelic, BBC ALBA reaches almost ten times that number each week on television. In 2014, viewing of Gaelic programmes on BBC iPlayer was 8.2 million (MG ALBA, 2014), a 40% increase on 2013.

Average weekly 15 minute reach in Scotland was 750,000 throughout 2013-14.

MG ALBA's ambition for BBC ALBA is to maintain and increase its success with audiences; and to maintain and grow a sustainable, diversified, internationalised supply sector, with the economic benefits that entails.

It follows that in addition to the cultural and linguistic role performed by BBC ALBA, MG ALBA's role in the Scottish broadcast landscape is an important one from an economic perspective. As the only publisher-broadcaster in Scotland, MG ALBA commissions 78% of the channel's content from the independent production sector (MG ALBA Annual Report, 2013/14). It has a very close relationship with its suppliers and, as noted above, is ambitious for their growth.

PACT has previously noted that MG ALBA accounted for 50% of all Scottish commissions by hours (PACT, 2010; note the age of this evidence; this is a critical point picked up on in this submission). MG ALBA is therefore positioned to drive growth of the creative industries in Scotland. The channel's supply base is across Scotland, but such economic growth is especially important in the economically fragile areas where the Gaelic language has historically been strongest.

The channel is funded as follows: £13.8m of MG ALBA funding, of which £12.8m is provided by the Scottish Government and £1m by the UK Government; and £8m of BBC funding, of which £5.2m was spent on content produced in-house, and the remaining balance on distribution, infrastructure and support (BBC Annual Report, 2013/14).

This submission refers to Ofcom's Public Service Content in a Connected Society (Ofcom, 2014A).

Question 1 Do you agree with our assessment of the context in which the PSB system operates, and how the trends identified might affect the PSB system? In particular, do you agree with our analysis of the independent production sector?

1.1 MG ALBA notes Ofcom's assessment of low audience satisfaction on nation/region portrayal. In this context MG ALBA would like to emphasise the role played by BBC ALBA in Scotland. BBC ALBA enjoys consistently high appreciation levels, both within the Gaelic community, and with the channel's national audience:

Scotland, Age 16+	**General Impression (mean score out of 10)** Scotland
BBC ALBA (Scotland wide) – Jan Dec 2014	7.0
BBC ALBA (Gaelic community)	8.2

Source: BBC ALBA (Scotland-wide): TNS Scottish Opinion Survey for the BBC, 16+ adults living in Scotland, 2014. Monthly omnibus c. 1,000 respondents per wave. *BBC Alba (Gaelic commun*
2014.

BBC ALBA's performance ameliorates the performance gap on Nations portrayal by PSBs in Scotland. We also note however, that without further investment, it will be increasingly challenging to sustain the channel's appreciation ratings: current funding enables only 1.7 hours of originations per day, including news, with the resulting schedule 80% reliant on repeats.

1.2 MG ALBA makes two observations on Ofcom's assessment that spend on new, first run UK originations are down; specifically, on the decrease in non-network first run originations spend by 26%; 11.9% in Scotland. (Figure 34).

1.2.1 The first observation relates to BBC ALBA's position as a commissioner of first run content in Scotland. While BBC ALBA's budgetary constraints mean the average cost per hour of the channel is low, it nevertheless is a key commissioner. Thus BBC ALBA has a significant role in commissioning originations within the Scottish context – again we note PACT's 2010 assessment that BBC ALBA commissions constituted 50% of the hours commissioned in Scotland (PACT, 2010). It is important that this review of PSB, particularly within the Scottish context, is cognisant of BBC ALBA's role in relation to first run originations.

1.2.2 The second point relates to gaps in the evidential baseline in relation to independent production in Scotland. MG ALBA contends that this should be addressed, not only to ensure the integrity of any assessment of the sector, but also because MG ALBA is unable currently to accurately characterise its role within Scottish broadcasting without such a baseline.

The evidence gap arises as follows: although PACT prepare an Out of London report, they currently are not in a position to provide detailed Scottish data. And although Ofcom's Communications Market Review 2014 contains data *inter alia* on first-run originations by Nation, the proportions commissioned by PSBs in-house/from independents are not published (Ofcom, 2014B). Therefore, to MG ALBA's knowledge, neither the total spend for the independent production sector in Scotland, nor the total number of hours commissioned of the independent sector in Scotland are currently published. This is a gap in the evidential baseline, and undermines assessment of PSB in Scotland. Additionally, it undermines MG

ALBA's ability to state accurately its place within the Scottish broadcast ecology.

1.3 Ofcom notes the decline in economically vulnerable genres, such as Nations and Regions, drama, current affairs and children's programming. On the specific point about drama, we note MG ALBA's significant continued investment in the drama, *Bannan*. *Bannan* is produced by the producer of The Inbetweeners, Chris Young, and MG ALBA has invested in it for the next two years. In addition to the primary benefits delivered by a high quality drama to viewers (reaching 62% of the core audience in its first week), MG ALBA notes the strategic benefits that arise from the vehicle of drama: craft skills, enrichment of Gaelic writing skills, and commercial skills, e.g. both in relation to distribution and international sales, but also in relation to secondary issues such as original music. These strategic benefits accrue to all of Scotland, not just the Gaelic media sector.

In this regard, MG ALBA notes the ambition for film in Scotland, as documented in Creative Scotland's recently published Film Strategy. We note the indirect support provided by expertise and talent. In this context, MG ALBA's contribution through the long term, major investment in the drama, *Bannan*, is crucial. Thus MG ALBA's investment in *Bannan* should be recognised as a key part in creating the critical mass of talent and skills required to precondition Scotland for film development.

1.4 In relation to Ofcom's analysis of the independent sector, MG ALBA makes the following points:

1.4.1 MG ALBA contends that the rebalancing between the PSBs and the production sector has not happened to the same degree in Scotland as elsewhere in the UK. MG ALBA urges caution in using the mega-indie success story as a proxy for the broadcast industry in general, and in particular as a proxy for the Scottish broadcast sector, including the Gaelic supply sector. The point about lack of evidence made above is critical here.

The Scottish broadcast sector is dominated by microbusinesses. While these survive because of PSB, they do not grow, because of issues of scale, of scope, of the cost-plus funding model, a lack of networks, a lack of market intelligence, the inherently insecure nature of the commissioning model, and the inappropriateness of the current corporate tax relief.

MG ALBA queries the characterisation set out at Figure 6, which contends that there is little evidence that consolidation has led fewer to opportunities for smaller producers to win commissions. MG ALBA's suppliers are almost all microbusinesses. Size is a barrier to gaining UK network commissions; the Gaelic media suppliers are unknown, and their Gaelic output, despite the fact it is produced for Scotland's only national network, is not given credence.

The statistics cited at Figure 6 are not broken down by Nation. Further research (Mactaggart, 2014) suggests that many indigenous Scottish production companies have turnover of less than £10m (indeed, mostly less than £5m) – i.e. the 'mid-tier companies in the £25-£70m turnover bracket [who have] gained most from a shift in spend.[by] 40%' are not representative of indigenous Scottish companies, including the Gaelic media sector.

In fact, Figure 6 indicates significantly less variance in the low (<£10m) part of the turnover spectrum – i.e. the part more representative of Scottish companies is **static** and shows little growth (although we note it is not possible to determine migration both into a higher turnover bracket, nor into the turnover of <£1m from this graph).

1.4.2 Despite greater investment in network production through quotas and targets, the condition of Scotland's domestic market affects the relative health of its production sector, and Scotland's domestic market is weak. (See Ekos, 2013). The weakness of the Scottish domestic market (while network quotas have grown, opt-out programming has diminished) is not captured in Ofcom's assessment, and again MG ALBA contends that the PSB review should be cognisant of the state of the Scottish domestic market because of its consequences for the health of the independent production sector in Scotland.

1.4.3 MG ALBA notes Ofcom's recognition of the recent importance of international growth, as part of its observation that the independent production sector is growing. Internationalisation is a key part of MG ALBA's development strategy for the Gaelic media supply sector. Again, however, we query the evidence for such growth in Scotland: Figure 4 is not broken down by Nation, and there is no evidence to suggest that this rate of growth is shared among Scottish producers.

1.4.4 MG ALBA agrees with the point made at 2.9 that PSB can have a significant role in supporting culture more broadly, including cultural institutions. BBC ALBA contributes significantly to the richness of Scottish cultural life, in its communication of wider Gaelic culture. This includes music strands and programming focused on Scotland's cultural heritage, and partnership with institutions such as An Comunn Gàidhealach, with which BBC ALBA works in order to showcase the annual Royal National Mod, the principal Gaelic arts festival.

Question 2 Have we identified the key differences in Northern Ireland, Scotland and Wales?

No. As noted above MG ALBA contends that evidence is required in order to accurately assess the state of the independent sector in Scotland.

Question 3 Do you agree with our assessment that the PSB system remains strong overall?

3.1 At a very broad – UK – level, the system remains strong, but MG ALBA repeats the point on the lack of detailed evidence in relation to Scotland.

3.2 The lack of a statutory basis for BBC ALBA is a weakness in the PSB system. While the current arrangements for the delivery of BBC ALBA are operating successfully, and enjoy a great measure of corporate goodwill, it should be noted that they are not provided for either in statute or in the BBC's Royal Charter. BBC ALBA enjoys PSB status by virtue of being a BBC channel, not because it is a Gaelic language channel. This is inconsistent with the statutory PSB basis afforded to Welsh broadcasting which, in the context of the UK Government's obligations in relation to Article 11 of the European Charter for Regional or Minority Languages, we consider should apply equally to Gaelic broadcasting.

Question 4 Given the resources available, to what extent is the system meeting the needs of as wide a range of audiences as practicable?

MG ALBA notes that only 46% of people across the UK are satisfied that the PSB system delivers programmes that show different kinds of cultures within the UK. We note too the differences emerging between ages of audiences in the nation. While we agree that broadly across the UK PSB remains strong, there is an argument that at the Nations level the audience benefits are less pronounced, e.g. the differences within Nations are less likely to be portrayed. This issue about portrayal within, and outwith, the Nations may arguably be more acute post-referendum. MG ALBA emphasises however that any perceived deficit in English language programming within Scotland, and funding for Gaelic language programming, are distinct issues, and notes that the funding of BBC ALBA should not come at the expense of Scottish spend by the BBC.

Question 5 Given the resources available, does the PSB system deliver the right balance of spend and output on programming specifically for audiences in Wales, Scotland and Northern Ireland and programmes reflecting those nations to a UK-wide audience?

5.1 In relation to resources, MG ALBA seeks a full PSB service for its audiences, and that requires increased funding. MG ALBA has invited the BBC to articulate a set of guiding principles in relation to the UK's autochthonous languages, cognisant of the distinct circumstances of each language, in order to provide a coherent framework for consideration of many of the questions arising in relation to these languages and their respective services. Such coherence is particularly relevant as these services, such as BBC ALBA, mature, and as the diversity of the UK, and its constituent nations, continues to evolve. Such coherence will be a prerequisite for questions arising in the context of charter renewal.

5.2 MG ALBA believe that such guiding principles should include recognition that services such as BBC ALBA, have a broader impact than a linear, linguistic function, as demonstrated in Scotland by BBC ALBA's significant success with the non-Gaelic audience.

5.3 A further point to note in this context is MG ALBA's contention that the funding of BBC ALBA should not come at the expense of Scottish spend by the BBC.

5.4 As noted above the weak state of the domestic Scottish market inhibits growth of the independent sector, and arguably exacerbates the Nations/Regions portrayal performance gap identified in Ofcom's assessment.

Question 6 Is declining investment affecting the quality of PSB and is it a cause for concern?

6.1 MG ALBA makes the following observations on the effect of declining (or low) investment:

6.1.1 Declining (low) budgets mean BBC ALBA can afford only to have 1.7 hours of origination per day, including news. This results in strategic risk re sustaining reach and appreciation indices.

6.1.2 Declining/low investment constrains the ability to grow reputation for both producer and broadcaster, e.g. through awards; and

6.1.3 It reduces the ability of producers to further exploit their programmes, which is MG ALBA's strategic objective in its development strategy.

6.2 Again, there is a particular Scottish dimension to this, which is not captured in Ofcom's assessment. Scottish companies are less diversified (PACT, 2010; Mactaggart, 2014), and are thus more exposed to the downturn in PSB content investment. Thus declining investment combines with the London orientation of the UK market, to mask, and exacerbate, the barriers facing Scottish independent production companies.

Question 7 Do you agree with Ofcom's provisional findings in the Review of C4C's delivery of its media content duties?

Question 8 To what extent do you agree with our assessment of the degree to which the non-PSB services play a role in helping to deliver the public service objectives? In doing so please set out your views on the delivery by the PSB portfolio channels, other non-PSB channels, on-demand and internet services and also radio services separately.

8.1 MG ALBA disagrees that, in its context, the non-PSB services have a role to play in delivering public service objectives. While for 'mainstream' English language culture, non-PSBs services may have a role to play in delivering public service objectives, the citizenship, cultural and economic dividends that are addressed by Gaelic broadcasting provision within the existing PSB framework would not be delivered by any other structure. The market will not provide for Gaelic broadcasting.

8.2 We note too that while BBC ALBA iPlayer figures are very healthy (8.2m in 2014), MG ALBA's perspective is that this is currently complementary to the channel's linear audiences.

Question 9 How likely are we to see steady evolution and have we identified all of the potential alternative scenarios and risks to the system?

9.1 While the absence of any scenario planning in relation to licence fee changes is understandable, it undermines the robustness of examination of PSB. This is particularly salient in the Scottish context, both in relation to the weak independent sector, and portrayal issues, which may be more acute post-independence referendum.

Both Pact (2010) and Ekos (2013), MG ALBA's knowledge of the Scottish broadcast sector, along with Ofcom's assessment, indicate that the existing PSB system is not delivering fully the cultural, citizenship and economic benefits for Scotland. Therefore scenario planning for PSB frameworks which might fully address these issues would be useful, including some form of Nations' contestable funding.

9.2 MG ALBA notes the lack of emphasis on plurality in Ofcom's assessment of PSB, and understands that media plurality in general is to be considered by Ofcom later this year. MG ALBA contends that plurality is a highly important element of the PSB framework, particularly in the Scottish context. MG ALBA provides an important third force in Scottish broadcasting, both strategically and editorially. Although a BBC channel, it has an editorial strategy which is operated and delivered in partnership, and MG ALBA asserts that it is important that the current PSB review does not disconnect plurality from an assessment of PSB.

Question 10 How might incentives to invest change over time?

This is a question for commercial broadcasters.

Question 11 Have we identified all the relevant ways in which the PSB system might be maintained and strengthened?

BBC ALBA's status as a PSB channel should be underpinned with statutory PSB attribution or explicit BBC Charter commitment as referenced above. This would ensure EPG prominence and its protection within the DTT framework, in order to ensure no risk to BBC ALBA arises in the event of capacity constraints, for example, from the proposed auction of the 700mhz spectrum band in 2018.

Question 12 Does universal availability and the easy discoverability of PSB remain important and how might it be secured in future?

MG ALBA agrees that prominence will remain important, and the formal underpinning we seek for BBC ALBA as a PSB would protect or improve BBC ALBA's position on the EPG for the longer term. BBC ALBA's position on Freeview Channel 8 was obtained through negotiation, but as a PSB channel should be protected by virtue of that status. The debate about local TV in Scotland demonstrated the extent to which the slot is a highly valuable and envied position, which for both citizenship and cultural reasons should be protected. We note too that DCMS propose a review of EPG; we are keen to ensure that BBC ALBA's position on EPG is clarified, and strengthened prior to such a debate, which would inevitably rehearse arguments about the citizenship merits of BBC ALBA's position. Additionally, raising and protecting BBC ALBA's position on Sky and Virgin Media's EPG would be valuable.

Looking further ahead, the discoverability of Gaelic PSB content on non-linear platforms will become increasingly important. The BBC will play a major role in promoting Gaelic content online, on devices and on smart TVs, but we believe that the EU also has a significant role to play in ensuring that manufacturers and brand / platform owners give appropriate prominence to indigenous content in the territories in which they operate. In this respect the EU Charter for Regional or Minority Languages, which *inter alia* promotes the creation of minority language TV and radio stations in Members States, pre-dates the growth of non-linear platforms. The extension of the principle to non-linear platforms should be sought by Members States, including the UK.

Question 13 **Should we explore the possibility of giving greater flexibility to PSB institutions in how they deliver public service content, including examining the scope (in some or all cases) for regulating by institution, not by channel?**

13.1 MG ALBA makes the following observations about the proposals listed at 6.43-6.47:

13.1.1 The risk of proposed flexibility is that it would serve to further undermine BBC ALBA's already precarious position as non-designated PSB.. BBC ALBA requires protection; this would not be delivered by more flexibility. Greater flexibility might therefore require greater intervention in order to protect, maintain and nurture the citizenship aspects of the PSB framework, such as autochthonous language programming. In the case of BBC ALBA this might be the statutory designation of the Gaelic language channel as a PSB.

13.1.2 If it is assumed that non-linear production is cheaper, this risks undermines the potential economic impact and related creative industries' growth arising from PSB obligations. Such economic impact is a key strategic objective for MG ALBA and the development of the Gaelic media supply sector; and

13.1.3 From a broader Scottish perspective, "enabling output quotas to be delivered on any of a PSB's services, rather than on a specific television channel", would seem to risk exacerbating the Nations/portrayal disconnect identified in Ofcom's assessment.

Question 14 Do the current interventions in relation to the independent production sector need to change in light of industry developments?

No. As noted above, the Scottish production sector, including Gaelic media suppliers, is still relatively nascent, and the existing terms of trade system is required in order to create a culture of commercialisation, as opposed to dependency. Also as noted above, Scottish broadcasting suffers from a weak domestic market. MG ALBA asserts that the assessment of independent sector success is not supported by sufficient evidence in relation to the Nations, and the London based mega-indie story is obscuring the needs of the 'long tail' of microbusinesses in Scotland.

Question 15 Have we identified the right options when considering potential new sources of funding, are there other sources of funding which should be considered, and which are most preferable?

15.1 MG ALBA agrees that PSBs should be exempt from AIP.

15.2 MG ALBA agrees that contestable funding should be investigated, and would ask that citizenship benefits such as autochthonous language programming are included, in addition to cultural programming. A useful parallel to consider might be Ireland's Broadcast Authority of Ireland, which explicitly supports high quality programmes on Irish culture, heritage and experience.

15.3 MG ALBA agrees that urgent consideration should be given to tax incentives.

The growth of the Scottish broadcast sector, and MG ALBA's specific strategy for the development of the Gaelic supply sector, is dependent on co-production. However, Scotland is currently actively disadvantaged in terms of co-production by other countries, e.g. Ireland.

MG ALBA therefore asks that urgent consideration be given to the creation of a tax regime which specifically addresses co-production by the UK's autochthonous content producers. This could create the conditions required for a step change in growth in the broadcast sector.

Corporate tax relief is available in the UK to the value of 25% of 'qualifying expenditure'; this applies to programmes of not less than £1,000,000 per hour. By way of context, the average cost per hour of nations and regions output (Scotland) is £20,000. (Ofcom, 2014B). The tax relief is aimed at high-end programming, which strategically is correct for the UK creative industries, but for the long tail of micro businesses dominating the Scottish sector, including Gaelic media suppliers, it is inappropriate by cost, and by genre. The variation of the corporate tax relief has the potential to create a step change in creative industries' growth in the Nations, and could drive the economic benefits MG ALBA seeks from its supply sector.

MG ALBA suggests a corporate tax relief modelled on Ireland's regime, and aimed at growth of key growth genres such as animation, formats, and programming in UK autochthonous languages such as Gaelic. Ireland's section 481 tax relief enables television drama, animation and creative documentary to benefit from relief without a qualifying cost per hour; qualification is down to programme type. Such a tax relief, combined with contestable funding, could create conditions for growth for Scotland's broadcast sector, including its Gaelic media suppliers.

MG ALBA

26 February 2015

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