SUBMISSION TO OFCOM BY THE
OFCOM ADVISORY COMMITTEE FOR SCOTLAND

Second Public Service Broadcasting Review, Phase Two

In this submission, the ACS wishes to underline that it considers a plurality of PSB-oriented sources of news, current affairs and other information to be key to the good functioning of democracy in Scotland.

Q1: Do you agree that PSB provision and funding beyond the BBC is an important part of any future system?

The ACS considers PSB provision beyond the BBC to be crucial. It would be profoundly undesirable for the BBC to have a monopoly of PSB provision, whether in the UK or just in Scotland. Aside from diminishing the desirable diversity of sources of broadcast and online journalism, there is an obvious danger in having PSB identified with only one public sector institution, which then becomes particularly vulnerable to pressure and attack.

It is evident that audiences in Scotland value a plurality of provision in PSB. Research from Ofcom[1] on the Scottish market shows the BBC with 27% of the audience share during the early evening news bulletins, compared to STV with 25%. While Scottish audiences appear to rely on TV news as their main source of local news somewhat less than their counterparts in other parts of the UK (41% compared to 46% for UK as a whole), the evident split in loyalties between the BBC and STV underlines the demand for more than one provider.

The BBC tends to attract a higher percentage of ABC1 viewers than STV. If PSB provision were limited solely to the BBC there would be a danger that this would seriously limit the potential audience for PSB output among C2DE viewers.

Q2: Which of the three models do you think is most appropriate?

At present, we favour an 'enhanced evolution model' for the UK as a whole, with specific attention to how this might develop distinctively in Scotland, not least given the future funding uncertainties for PSB, which are likely to be intensified by the present financial crisis.

In Scotland, the national model adopted may well be complicated by developments that, at present, are unclear in their import. The key proposition of the Scottish Broadcasting Commission (SBC) is that a new publicly financed Scottish PSB digital network be launched. At this juncture, it is extremely difficult to forecast whether or not this will

[1] Ofcom, *The Communications Market: Nations and Regions 2008 Scotland*, May 2008.

come to pass, although there is certainly a far-reaching consensus in the Scottish Parliament on the proposal, along with enthusiastic producer and also wider public support for this idea. The proposed network would require public funding of up to £75m and the Scottish Broadcasting Commission has recommended that this come from 'the new UK settlement for PSB plurality'.[2] The ACS certainly wishes debate on this important question to continue and we are well aware that the SBC's report has stimulated interest in the other nations. Ofcom's PSB2 review indicates that there is no single UK-wide solution to the future of PSB and acknowledges the Scottish Broadcasting Commission's contribution to current debate.

Given the factors presently in play, therefore, various scenarios are possible for plurality in broadcast television provision in Scotland. Much depends on the future viability of STV and its relationship with ITV. We note Ofcom's view – based on deliberative research - that 'participants in the devolved nations…favour a PSB model that retains a clear role for their Channel 3 licensee [which] has a symbolic value in the devolved nations, beyond its PSB provision and is seen to represent national identity in ways other TV channels do not.'[3] The development of BBC Alba and the extent to which it will build significant audiences beyond the Gaelic community is also a factor to be taken into account when envisioning futures for the Scottish scene. We believe that ACS should play its part in encouraging and facilitating further debate in Scotland.

Q3: Do you agree that in any future model, C4 should have an extended remit to innovate and provide distinctive UK content across platforms? If so, should it receive additional funding directly, or should it have to compete for funding?

C4's mission and values include the desire to innovate and provide distinctive content. We agree that it is desirable for innovative and distinctive content to be provided for audiences. If additional direct funding were to be received, it would be essential to monitor the level of innovation or distinctiveness in output, and to decide the extent to which the channel is achieving its goals in this respect.

If a competitive element of funding were introduced, this would open the way to a wider framework of contestability and would have much broader consequences for the allocation of PSB funding in general. We do not rule this out in principle but think it important to note the implications, which would be a drive towards the 'refined competitive funding model'. In the event of this happening, it would be necessary to consider how such competition would need to operate at the level of the nations and not only at that of the UK.

Q4: Do you think ITV1, Five and Teletext should continue to have public service obligations after 2014? Where ITV1 has an on-going role, do you agree that the

[2] Scottish Broadcasting Commission, *Platform for Success*, September 2008, p.38.
[3] *Ofcom's Second Public Service Broadcasting Review, Phase Two: Preparing for the Digital Future*, September 2008, p.69.

Channel 3 licensing structure should be simplified, if so what form of licensing would be most appropriate?

Given the continuing relaxation of PSB obligations by Ofcom for ITV1, and the stated position of the company's management, it is difficult to envision anything other than paid-for PSB output – bought on a contestable basis - after 2014. Five's PSB contribution is relatively marginal but it is desirable that it should continue, especially in the form of news coverage and the provision of documentaries. Teletext did originate as a public service and there is value in its continuing to do so. However, by 2014, this technology, still quite popular but already significantly obsolescent, is likely to have a diminished market presence.

So far as Scotland is concerned, this is essentially a question about the future of STV and the conditions under which it would continue to play a PSB role. This now plainly depends on how the company negotiates its relationship with ITV and also whether it is able to deliver a distinctively Scottish mission and capitalise on its continuing brand recognition. It is clear that the company wishes to bid for contestable public funding to support the continued existence of its news service. We certainly cannot and do not exclude the emergence of other players that would be interested in delivering PSB in Scotland. See our response to Q2 above.

Q5: What role should competition for funding play in future? In which areas of content? What comments do you have on our description of how this might work in practice?

The difficulty with a plethora of suppliers from the audience's point of view, will be in identifying and locating PSB content. Some content, such as news, still evidently needs to be readily available at set times on predictable channels. Other content, however, such as drama, comedy, factual and current affairs could be provided competitively by whatever channels put forward the best propositions. At present, however, it would seem that channel recognition remains important for many viewers. Although we recognise that there are powerful forces pushing towards a competitive funding model in the medium to longer term, this needs to be handled carefully if PSB is to remain an identifiable value and cultural presence in our broadcasting system. In the event of the disaggregation of content, it would be necessary to brand programmes as PSB so that viewers could identify them as such, and could recognise how and when their licence fees were being used. The feasibility of such an approach still needs serious thought. Any major shift towards enhanced competition and contestability raises questions about the institutional solutions to manage this and the levels at which these might operate – whether at the UK or nations levels – and why.

Q6: Do you agree with our findings that nations and regions news continues to have an important role and that additional funding should be provided to sustain it?

It is evident that UK audiences do value nations and regions news, although there are differences in the extent to which this is so. Connections with our localities, however, appear to be of increasing rather than decreasing importance. In Scotland, audiences rate plurality of news provision highly. Given Scotland's distinctive parliamentary politics and the continuing salience of the constitutional question, it is of crucial importance to ensure that there is high quality PSB journalism in the country. This is undoubtedly of increasing importance given the problems faced by major newspapers in Scotland, traditionally a key source for the public. The proposed launch of a Scottish digital channel, and the contribution it might make to the public domain, is a constitutive part of this debate.

Q7: Which of the three refined models do you think is most appropriate in the devolved nations?

Ofcom's research shows much lower levels support for a fully competitive model in the devolved nations than is the case for English audiences. As noted, Scotland has had a distinctive debate and the Scottish Broadcasting Commission has recommended the establishment of a directly funded Scottish Channel (in addition to the existing Gaelic Channel, BBC Alba). It remains to be seen how this question will be tackled. We assume that a commercial player (not necessarily STV) will continue to be viable in Scotland and believe it desirable – because of the need to diversify sources of finance - that the nation should not rely entirely on publicly funded bodies. In the event of a more distinctive Scottish model developing – and this does now have a cross-party head of steam behind it, north of the border - it is likely that some decisions would have to be made in Scotland (alongside UK-wide decision-making) about the allocation of public funding to ensure plurality and equity. Thus far, the debate about possible institutional solutions to such devolved decision-making has not taken off and it does need to begin. The next phase of the Calman Commission could offer a focus for such discussion and Calman has called for more evidence on broadcasting in Scotland. It remains an open question as to how a range of services will be funded. We wish to see this debated.

Q8: Do you agree with our analysis of the future potential for local content services?

It seems that the market can provide local content services to a certain extent. This was certainly the view taken by the BBC Trust when ruling against proposed BBC developments in this field. We consider that while audiences do appear to value local content services, intervention at this stage might distort the market, crowding out private sector providers. Local newspapers and radio stations are currently addressing this market and are increasingly adding video coverage to their websites and making their provision more sophisticated. In the interests of maximising openness, a wider set of organisations (including local authorities) might be encouraged to apply for licences for local TV provision at a community level.

However, Ofcom should continue to monitor this market. If the provision of local content looks set to diminish (for example, due to market consolidation or a decline in local radio or newspaper businesses) intervention in the interests of securing greater diversity of provision may become necessary.

Q9: Do you agree with our assessment of each possible funding source, in terms of its scale, advantages and disadvantages?

The licence fee is an accepted and widely understood form of funding for PSB, albeit currently only for financing the BBC. It is reasonable to suppose that its appeal – especially to younger generations less socialised into accepting the historic broadcasting order and to those increasingly used to buying a range of communications services – may well decline. Its future as a system uniquely designed to finance the BBC certainly cannot be taken for granted as we head towards the next Charter Review. The present ‘surplus’ to the licence fee will be transparent once DSO is complete. This add-on shows the present willingness on the part of audiences to pay at a higher level for PSB-related activities. The extra element of the fee will be exposed as available for other purposes – which may include financing a new Scottish channel. A debate about such purposes cannot now be avoided.

We do consider, however, that Ofcom’s assertion that ‘understanding of what the licence fee currently funds is fairly limited’ is not sufficient justification for diverting funds for other, albeit related, purposes. While the licence fee has regularly attracted a range of often justified criticism, at a time of financial turmoil it is more than ever a mode of ensuring a predictable flow of income for PSB purposes and of providing an essential resource for the BBC, recognised by Ofcom and the UK government as the linchpin of the broadcasting system. While there are legitimate questions to be raised about the BBC’s performance, continued use of the licence fee can be justified by reference to the underlying public good principle that has served the UK well and is widely envied abroad. In any shift towards greater contestability, the costs and benefits need to be very carefully assessed and spelled out; so too do the grounds for change, which themselves would need to be tested.

Payment of PSB directly from public funds would doubtless be unpopular with taxpayers even if its precise application were made transparently clear. Moreover, audiences (and the press) would query why there were a need to pay for PSB from taxes as well as through the licence fee, particularly when many also have elected to take on pay-TV subscriptions. That said, it might be appropriate for the DCMS and the Scottish Government to provide funding for a defined purpose – as is the case with the Gaelic digital service. As this principle is already in place, it could be extended to other services on the basis of proper justification. It is clear that the proposed Scottish digital network also makes this kind of claim.

Q10: What source or sources of funding do you think are most appropriate for the future provision of public sector funding beyond the BBC?

Ofcom has laid out a range of possibilities. ACS has not yet reached a view on this matter and wishes to see the issues revisited in the light of the present financial crisis whose full effects have not been factored in to the PSB2 Review.

Q11: Which of the potential approaches to funding for C4 do you favour?

ACS has not yet reached a view on this matter and – as above – wishes to see continuing debate, in particular taking account of the present wider economic crisis on the scale and scope of funding for PSB.

Q12: Do you agree that our proposals for "tier 2" quotas affecting ITV plc, stv, UTV, Channel TV, C4, Five and Teletext are appropriate, in the light of our analysis of the growing pressure on funding and audiences' priorities? If not, how should we amend them, and what evidence can you provide to support your alternative?

We are concerned that in arriving at the proposal to merge Borders and Tyne Tees, the views of the audiences in the affected areas of Scotland have not been sufficiently taken into account, This view reflects the opinions expressed to ACS during meetings with stakeholders in the Scottish Borders.

Ofcom Advisory Committee for Scotland
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